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1986 [FULL COMMITTEE PRINT]

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HOUSE OF REPRESENTATIVES COMMITTEE ON APPROPRIATIONS VIEWS AND ESTIMATES

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1987

SUBMITTED BY MR. WHITTEN, CHAIRMAN OF THE COMMITTEE ON APPROPRIATIONS, PURSUANT TO SECTION 301(d) OF THE CONGRESSIONAL BUDGET ACT OF 1974

TO THE

COMMITTEE ON THE BUDGET

FEBRUARY 25, 1986

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LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON APPROPRIATIONS,
Washington, DC, February 25, 1986.

Hon. WILLIAM H. GRAY III,
Chairman, Committee on the Budget,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended, I am transmitting the Appropriations Committee's report on the Views and Estimates of the proposed budget for fiscal year 1987. This report was approved at a meeting of the Committee on Tuesday, February 25, 1986.

Sincerely,

JAMIE WHITTEN,
Chairman.

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The Committee on Appropriations submits the following report in compliance with Section 301(d) of the Congressional Budget and Impoundment Control Act of 1974. This section requires that each standing Committee of the House submit to the Committee on the Budget its views and estimates each year regarding matters within their respective jurisdictions to be included in the concurrent resolution on the budget.

The Fiscal Year 1987 Appropriations Situation

The Committee on Appropriations faces one of the most difficult tasks in its history in regard to this year's budget requests.

The budget proposes major reductions in domestic programs while at the same time proposing large increases in military spending. Cuts in domestic spending total $30 billion in budget authority while proposed increases in military spending total $34.2 billion.

In addition, the Administration calls for rescissions of $9.9 billion and deferrals of $22.9 billion. The budget also proposes the sale of the regional power marketing administrations (Bonneville, Alaska, Southeastern, Southwestern, and Western), the naval petroleum reserves, government owned real estate, and proposes restrictions on the rural electrification administration, housing, and other Federal activities.

Major programs proposed for termination or elimination include the following:

Programs eliminated

[Budget authority]

Agriculture conservation programs	$497,900,000
Rural development programs	2,801,500,000
Farm loan programs	1,220,000,900
Agricultural research and extension	118,805,000
Economic Development Administration	201,000 000
NOAA sea grants and coastal zone management grants	75,000,000
Juvenile justice and delinquency prevention	64,693,000
Legal Services Corporation	305,500,000
Small Business Administration	213,000,000
Appalachian Regional Commission	117,000,000
Export-Import Bank	1,062,300,000
Sub-Saharan African Facility	71,800,000
Urban development action grants	330,000,000
General revenue sharing	4,185,000,000
Indian Health Service facilities	78,585,000
DOE—low income weatherization assistance	182,084,000
Strategic petroleum reserve	446,484,000
Health professions assistance	224,000,000
Impact aid "b" payments	130,000,000
Library assistance	128,000,000
Amtrak	590,000,000
Mass transit discretionary grants	1,000,000,000
Washington Metro construction	217,000,000
Postal Service—revenue foregone	708,000,000

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Programs with significant reductions

Rural electrification loans	1,100,000,000
Cooperative extension service	118,000,000
Food stamps	350,300,000
Child nutrition	755,500,000
Department of Energy—Energy Research	721,025,000
HUD—Assisted housing programs	10,566,000,000
HUD—Community development grants	1,000,000,000
VA—Medical care	400,000,000
VA—Construction	200,000,000
EPA—Construction grants	600,000,000
Interior—Land acquisition and construction programs	219,992,000
Job Corps	288,000,000
Summer Youth	236,000,000
National Institutes of Health	417,000,000
Rehabilitation and handicapped services	244,000,000
Vocational education	440,000,000
Student financial assistance	1,073,000,000
Public broadcasting support	84,000,000
Mass transit—formula grants	1,000,000,000
Interstate transfer grants	400,000,000
Coast Guard—Construction	130,856,060
Tennessee Valley Authority	99,528,000

If these and other proposed reductions were to be adopted by the Congress, it would weaken the nation's ability to maintain the strong economy essential for public support and a strong defense. In past years, the Congress has not cut military spending; it has only reduced the rapid rate of increase proposed by the Administration. Indeed, appropriations for military spending have gone from $144 billion in FY 1980 to $286 billion in FY 1986. In the Committee's view, a realignment of domestic and military priorities similar to those the Congress has made in prior years will probably be necessary in connection with the fiscal year 1987 budget.

The Committee on Appropriations recognizes that the soundness of our defense, including Department of Defense procurement, our military forces, and related programs, depends upon a healthy domestic economy and public support. To retain these essentials, it is absolutely necessary to protect and develop our physical resources and protect essential domestic programs in order to maintain public support for defense. It is our country and our people on which all else depends. We need a strong defense—but we can never have a strong defense unless it is backed by a strong country—strength that can only come by developing our nation's resources—our real wealth—with an educated, healthy populace, and with adequate food and nutrition flowing from a strong agriculture base.

The Committee points out that even though it has held the line overall for the past five years and has recommended appropriations below the budget request, the debt has increased tremendously. The Committee on Appropriations has acted, and will continue to act, responsibly in regard to the deficit situation. It is mainly other areas, including revenue, that must be addressed by the Congress and the Administration, if the deficit situtation is to be controlled.

Several factors depicted in the President's budget, some of which are outside the jurisdiction of the Committee on Appropriations, will greatly affect our efforts. For example:

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—The revenue loss in 1987 due to the 1981 Tax Act will be $244,800,000,000, or more than the entire estimated unified budget deficit. The net revenue loss in 1987 reflecting all changes in recent years will still be more than $150,600,000,000.

—Great attention has focused on the need to reduce the deficit in connection with the fiscal year 1987 budget. The Administration is proposing a deficit figure of $143,600,000,000. However, this figure is based on unrealistically low outlay figures in defense and on drastic domestic spending reductions and policy changes. Many of the proposed policy changes have been transmitted previously to the Congress and have been rejected. These include several different user fee concepts and other legislative proposals not previously acceptable to the people's branch of government.

—While the projected deficits show large declines in future years, the decline in the increase in the national debt is far less—because the deficit numbers ignore trust fund borrowings. Thus, while the deficit figures are $143.6 billion in FY 1987, $93.6 billion in FY 1988, and $67.5 billion in FY 1989; the increase in the gross national debt is $208.6 billion in FY 1987, $188.3 billion in FY 1988, and $175.4 billion in FY 1989—far less impressive decreases.

—Another way of looking at the magnitude of the deficit problem is to examine the increase in the total public debt. When the current Administration took office, the debt subject to limit was $932,288,000,000. By the end of fiscal year 1985 it had virtually doubled to $1,827,500,000,000. By 1987, it will grow to $2,320,630,000,000 and will further increase to $2,508,954,000,000 in 1988.

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NATIONAL DEFENSE

(Function 050)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

(In millions of dollars)

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request					
Requiring authorization	234,432	0	98,957	98,957	
Not requiring authorization	83,328	102,828	78,103	180,931	
Subtotal	317,761	102,828	177,060	279,888	294,556
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	3,251	−250	3,270	3,020	2,866
Subtotal, appropriation requests	321,011	102,578	180,330	282,908	297,422
Proposed legislation, not through the appropriation process	100	0	100	100	
Permanents, trust funds and revolving funds	11,272	46	11,227	11,273	
Offsetting receipts	−12,043	0	−12,043	−12,043	
President's budget requests	320,340	102,624	179,614	282,238	

Note: May not add due to rounding

Functional Description

This function includes those programs directly related to the common defense and security of the United States. It includes the raising, equipping, and maintaining of armed forces, including civilian supporting activities; and development and utilization of weapons systems, including nuclear weapons.

The function provides direct compensation and benefits paid to active military and civilian personnel; contributions to their retirement, health, and life insurance funds; military retired pay; the conduct of defense research, development, testing, and evaluation; and procurement, construction, stockpiles, and other activities undertaken with the direct objective of fostering our national security. Included are the military activities of the Department of Defense, atomic energy defense activities, and the defense related activities of civilian agencies including the GSA and the Selective Service System.

Excluded from national defense are military assistance programs to other nations since these have become predominantly a foreign aid program; and benefits or compensation to veterans and their dependents since these are provided when the recipient is no longer actively contributing to our national defense. Also excluded are the conduct of foreign relations, foreign economic development and humanitarian assistance, subsidies to business by civilian agencies which may be partially justified as promoting national security, and research and operations of agencies such as space research whose program could result in some significant benefits to our national security.

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COMMITTEE VIEWS

DEFENSE PROGRAMS

For fiscal year 1986, the President's budget for the National Defense function was $322.2 billion in budget authority and $285.7 billion in outlays. The fiscal year 1986 Budget Resolution allocated $302.5 billion in budget authority and $267.1 billion in outlays for this function for fiscal year 1986. The actual amount appropriated for fiscal year 1986 for the National Defense function was $297.6 billion in budget authority and $266.5 billion in outlays, achieving reductions of $24.6 billion in budget authority and $19.2 in outlays for fiscal year 1986 below the President's budget request. The Gramm-Rudman legislation required additional reductions in fiscal year 1986 below the appropriated amounts. With these additional reductions considered, the amounts which will be available for the National Defense function are as follows: $286.2 billion in budget authority and $261.1 billion in outlays, achieving reductions of $36.0 billion in budget authority and $24.6 in outlays for fiscal year 1986 below the President's budget request.

Of the amounts appropriated for the National Defense function, the annual Department of Defense Appropriation Bill for fiscal year 1986 totalled $281.2 billion in budget authority, a reduction of $22.8 billion below the budget estimate, and $251.3 billion in outlays, a reduction of $12.1 billion below the budget estimate. Again, considering the effects of the Gramm-Rudman legislation, the amounts which will be available for the activities contained in the annual Department of Defense Appropriation Bill in fiscal year 1986 are as follows: $270.6 billion in budget authority, a reduction of $33.4 billion below the budget estimate, and $246.3 billion in outlays, a reduction of $17.1 billion below the budget estimate. Excluded from the above figures are amounts for military construction, family housing and Department of Energy activities dealing mostly with nuclear warhead costs.

The fiscal year 1986 Budget Resolution also assumed National Defense function levels for fiscal year 1987 of $323.4 billion in budget authority and $285.2 billion in budget outlays. The budget estimates submitted for fiscal year 1987 for the National Defense function total $320.3 billion in budget authority and $282.2 billion in outlays.

Within the totals for the National Defense function, the fiscal year 1987 Defense budget estimates for those items included in the annual Department of Defense Appropriation Bill are $299.0 billion in budget authority and $264.8 billion in outlays. Again these amounts exclude military construction, family housing and Department of Energy nuclear warhead costs. These budget estimates represent an increase of $28.4 billion, or 10.5 percent in budget authority over fiscal year 1986 after the Gramm-Rudman reductions are considered.

The annual report of Secretary of Defense Weinberger alludes to a 3 percent increase in real budget authority for fiscal year 1987 but this increase is based on a zero growth total estimated for fiscal year 1986 before the effects of the Gramm-Rudman legislation were taken in account. When the budget authority totals for the Depart-

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ment of Defense are compared, the fiscal year 1987 total represents a 12 percent increase over fiscal year 1986 or about an 8 percent real increase.

The Department of Defense estimates and includes $3.3 billion in their total figures for fiscal year 1987 to cover pay raise costs. The budget proposes a military pay raise of 4 percent, effective October 1, 1986 and a civilian pay raise of 3 percent effective January 1, 1987. This $3.3 billion in pay raise contingencies is not reflected in the $299.0 billion Defense Appropriation Bill budget authority request mentioned above.

The Committee has always supported a strong military capability and this support can readily be seen by the level of appropriations made available in the last five fiscal years, which follow:

[In billions]

	Administration requests	Appropriated
Fiscal year:		
1981	$167	$171
1982	209	205
1983	250	232
1984	263	251
1985	294	275

The above information makes clear that the Congress in responding to requests of the Administration, has provided a 61 percent increase in Defense appropriations over the fiscal year 1981 level. Including fiscal year 1981, the Congress has appropriated over $1.1 trillion during the past five years for defense activities included within the Defense Appropriation Bill. These figures, of course, do not include appropriations made available for military construction and Department of Energy nuclear warhead programs and other activities.

Defense projections made available by the Administration for the next five years' appropriation request levels for the Department of Defense—Military sub-function follow:

Fiscal year:	*In billions*
1987	$312
1988	332
1989	354
1990	375
1991	396

The above figures reflect an additional 27 percent increase in the defense activities included in the Department of Defense—Military sub-function over the next five years, resulting in total budget authority requests of $1.8 trillion over the five year period (fiscal year 1987-91). The Congress will, of course, have to evaluate these requests and determine if the overall and yearly increases are achievable in light of current and projected economic conditions.

The fiscal year 1987 budget continues the trend, begun in fiscal year 1982, of procurement appropriations surpassing the operation and maintenance appropriations as the largest category in the budget. However, the difference is not as dramatic as in recent

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years. In fiscal year 1987, procurement is 31 percent of the budget while operation and maintenance is 28 percent of the budget.

The increase in the procurement budget is a modest 3.3 percent over the fiscal year 1986 level after Gramm-Rudman sequestration; however, this increase is in addition to the 26.4 percent increase in fiscal year 1981 over fiscal year 1980, 30.5 percent increase in fiscal year 1982 over fiscal year 1981, the 23.5 percent increase in fiscal year 1983 over fiscal year 1982, the 6.5 percent increase in fiscal year 1984 over fiscal year 1983, and the 12.1 percent increase in fiscal year 1985 over fiscal year 1984. The relatively modest percentage increase in fiscal year 1987 compared to these prior years is largely accounted for by the completion in fiscal year 1986 of the B-1 bomber program, for which more than $5 billion was appropriated last year.

A concern of the procurement growth is the impact it will have on readiness such as maintenance of weapons systems and spare parts support. The operation and maintenance accounts will have to continue to compete for funds with the growing investment accounts in the outyears. As additional weapons systems are fielded and aircraft squadrons are increased, the operation and maintenance accounts will be required to receive increased funding to maintain and man these new systems and squadrons. Some are of the opinion that the operation and maintenance accounts will not receive these necessary increases and systems will be undermanned and not properly maintained.

To exacerbate the affordability and readiness problems even further, proposals will be put forth to "stretch-out" or delay weapons systems procurement. In fact, in the past, the Department of Defense has often times decided to purchase weapons systems at uneconomical production rates stretching out procurement rather than to cancel specific programs. To "stretch-out" or delay programs gains nothing in the way of true savings. By delaying programs, costs are increased due to inflation and due to uneconomic production runs. The system ends up costing the government more money, outyear deficits are further increased and additional funds are required to be pumped into the investment accounts. In order to bring about lasting savings and reduce the outyear deficit amounts, weapons programs must be either cancelled or permanently reduced.

The fiscal year 1987 budget request for research, development, test and evaluation of $41.9 billion is $8.2 billion more than was provided for this purpose in fiscal year 1986, after adjustments for Gramm-Rudman sequestration which is a 24 percent increase over last year. In constant dollars, the fiscal year 1987 RDT&E budget shows a 20 percent real growth over the fiscal year 1986 appropriation, when the Administration's projected defense inflation rate of 4 percent is considered. The RDT&E accounts also compete for funds provided to operation and maintenance and with such large increases requested, readiness accounts will suffer further.

The outlays estimated in the accounts covered in the annual Defense Appropriation Bill total $264.8 billion for fiscal year 1987. Several of the account titles reflect lower outlay rates than were projected in last year's budget documents. The composite percentage total for the operation and maintenance accounts last year in-

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dicated that the spend out rate resulting from total available funds would total 77.2 percent in the first year and that spend out rate is now estimated to total 73 percent. The same figures for the research and development accounts result in spend out rates of 49.9 percent estimated last year in the first year as compared to current estimates of 46.6 percent reflected in the fiscal year 1987 budget documents. The Congressional Budget Office indicates that the Defense Department may have underestimated the outlay totals for fiscal year 1987 by as much as $15 billion.

In light of the present budgetary situation, the budget requests for the Department of Defense will most likely be reduced but it would be extremely difficult at this time for the Committee to recommend specific reductions in the Defense budget. The Committee conducts months of detailed hearings each year on the DOD budget and those hearings began on February 18, 1986. Last year, the Committee compiled eight volumes of hearings relating to the fiscal year 1986 defense budget consisting of roughly 8,000 pages of detailed testimony. Until these detailed hearings are completed, specific recommendations concerning the defense budget would be mere speculation. However, the Committee will again look carefully at a large number of major weapons programs to assure that they are essential to our national defense and available at affordable costs. This review will not only encompass fiscal year 1987 requests for funds but will include those systems funded in prior years. The Committee will scrutinize the entire DOD budget during the coming year especially the overall increases requested for the procurement and research, development, test and evaluation accounts. It should be pointed out that the Committee has been supportive of the Guard and Reserve requests over the years and, in fact, additional funding of the Reserve Components may again be in order.

MILITARY CONSTRUCTION

The fiscal year 1987 request for military construction and family housing of $10,137,200,000 in new budget authority is an increase of $1,639,341,000 or 19 percent over the amount appropriated in fiscal year 1986. As compared with the net amount after sequestration, the fiscal year 1987 request is $2,055,735,000 or 25 percent over the net fiscal year 1986 amount. In view of the mandate to reduce the federal deficit and in view of the significant increase that is being requested, it is likely that the President's budget for military construction and family housing will be reduced.

The fiscal year 1987 request reflects continued emphasis on construction of numerous facilities in support of the Army's force modernization program, the expansion and relocation of the Navy's larger fleet and the increase in planes in the Air Force. In addition, the Committee has always stressed and supported the need for quality of life projects which are essential to military life and retention in the Armed Forces. Some of the more significant features of the military construction budget are identified below.

New Bases.—The President's budget includes approximately $800 million for the continued development of 5 new bases in the United States. This represents about 8 percent of the total request. The

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Army is requesting funding of $232 million for Fort Drum, New York for fiscal year 1987. In addition, the Army intends to request an advance appropriation of $221 million for fiscal year 1988 and $162 million for fiscal year 1989 in order to fully fund under a single major contract the construction of the entire Fort Drum base.

NATO and European Construction.—A total of $1.3 billion has been requested for facility construction in Europe which represents an increase of about 60 percent over the fiscal year 1986 appropriated amount. Excluding NATO, the requested increase in European construction is about 30 percent over the fiscal year 1986 appropriated amount. Of the requested amount, $247 million is for the NATO Infrastructure program, $617 million for Germany, $103 million for Italy, $78 million in the United Kingdom and $147 for new family construction. Funding for Army force modernization and improving living and working conditions make up a large part of the request in Europe. The Committee has always emphasized and sought more burden sharing by our allies. However, there is no indication at present that U.S. unilateral spending will decline even though spending in the commonly funded NATO Infrastructure program will double in the next five years.

Administrative and Recreational Activities.—A total of $632 million has been requested for administrative and community facilities. Last year the Committee considered some of these type of facilities to be of low priority in view of budget constraints. It is expected that such requests of low operational utility may again be closely scrutinized.

Family Housing.—A total of $3.4 billion has been requested for family housing which represents an increase, including inflation, of about 15 percent over the fiscal year 1986 appropriated amount and 21 percent over the post-sequestered appropriated amount. The major portion of this increase occurs in the Army's request for $124 million for 1350 units at the proposed new bases of Fort Drum, New York and Fort Wainwright, Alaska. A total of $800 million in new housing construction and improvements has been requested. The Committee generally supports funding of family housing as it improves the quality of life; however, some reduction in the construction and maintenance accounts are possible.

Other Programs of Interest.—The FY 1987 request also contains $53 million in support of the B-1b beddown, $27.5 million in support of deployment of MX missiles at F.E. Warren AFB, Wyoming, $15.6 million in support of the Anti-Satellite program, $75 million in facilities to enhance the security of the President, $53 million to complete a R&D facility for NSA, $10.3 million in support of the Strategic Defense Initiative at various locations and $24 million as the first increment of a multi-million dollar over-the-horizon radar system.

Overseas programs of interest include $80 million for the Ground Launched Cruise Missile program, $37 million for Persian Gulf facilities, $73 million for construction in the Philippines, including a new runway at Clark AFB at $32 million, $203 million for construction in Korea and $27 million for airfield and fuel activities in Iceland. New initiatives in Germany include a $36 million combat targeting center, $17.5 million for wartime host nation support,

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and $36 million in follow on construction at Rheinberg complex (Rug factory). The amount of $5 million has been requested for permanent facilities in Honduras.

The Department has also requested that a foreign currency fluctuation account be established with a blanket transfer authority to and from all military construction and family housing accounts. This account would be initially funded by foreign currency gains, and the proceeds used to fund foreign currency losses, when they occur.

OTHER PROGRAMS

Atomic Energy Defense Activities.—The Fiscal Year 1987 Budget of $8,230,000,000 represents an increase of approximately 14 percent over fiscal year 1986. Principally this provides an allowance for inflation of 5 percent, real growth of 3 percent, and the recovery of Gramm-Rudman reductions made in fiscal year 1986. There are substantial increases for Strategic Defense Initiatives and correction of site environmental problems.

Federal Emergency Management Agency.—The Federal Emergency Management Agency is requesting $304,476,000 for civil defense and federal preparedness activities in fiscal year 1987. The "current services" level for these two programs in fiscal year 1987 is approximately $287,600,000. The current rate for civil defense and federal preparedness activities, after the application of Gramm-Rudman sequestration, is $276,240,000. The Committee is recommending the "current services" level for civil defense and federal preparedness activities in fiscal year 1987.

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INTERNATIONAL AFFAIRS

(Function 150)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	4,119	0	2,203	2,203	
Not requiring authorization	17,557	6,850	10,752	17,602	
Subtotal	21,676	6,850	12,955	19,805	17,474
Supplementals (including outlays from 1986 supplemental)	0	289	0	289	201
Proposed legislation and rescissions	−85	27	−107	−80	−77
Subtotal, appropriation requests	21,591	7,166	12,848	20,014	17,598
Proposed legislation, not through the appropriation process	130	0	125	125	
Permanents, trust funds and revolving funds	13,297	9,675	1,187	10,862	
Offsetting receipts	−12,382	0	−12,382	−12,382	
President's budget requests	22,536	16,841	1,778	18,619	

Note: May not add due to rounding.

Functional Description

This function is concerned with the establishment and maintenance of peaceful relations, commerce, travel, and development between the United States and the remainder of the world. It includes the conduct of foreign affairs, membership in international organizations, foreign information and exchange activities, economic assistance programs, military assistance programs, and grant and loan programs designed to foster foreign commerce.

These activities are carried out through the Funds Appropriated to the President, Agency for International Development, the Departments of State, Agriculture, Transportation, and independent agencies, including the Peace Corps, the United States Information Agency, the Export-Import Bank, the Arms Control and Disarmament Agency, and the International Trade Commission.

Committee Views

FOREIGN ASSISTANCE PROGRAM REQUESTS

International political and economic situations improve or worsen without regard to legislative calendars. Not all contingencies can be forseen during a particular fiscal year. Consequently, additional fiscal year 1986 supplemental budget requests or further fiscal year 1987 budget amendents may be proposed.

Nevertheless, in considering foreign assistance appropriations in fiscal year 1987 the Congress will face two major questions: (1) How will Congress consider significantly increased budget requests for

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foreign assistance in the context of Gramm-Rudman-Hollings legislation and in the context of requested further cuts in domestic programs; and (2) How will Congress consider the Administration proposals for the Export-Import Bank.

In total, the Administration budget requests for fiscal year 1987 Foreign Operations and Related Programs are $15,474,534,125 in new budget authority. This funding level for multilateral and bilateral economic and military assistance is an increase of $2,154,989,180 or 16.2 percent above the fiscal year 1986 post sequestration levels of $13,331,411,945 for these same programs. Additionally, no funding for the direct credits program of the Export-Import Bank is requested for fiscal year 1987. Instead, the Administration is requesting new legislation similar to that proposed last year. The Bank with extensive bipartisan Congressional support was funded at a fiscal year 1986 post sequestration level of $1,062,270,000.

FISCAL YEAR 1987 HIGHLIGHTS

While the Administration's fiscal year 1987 requests total a substantial increase above fiscal year 1986 post sequestration levels, some individual accounts receive substantial cuts while others receive even larger increases. The international financial institutions in total receive an increase of 21.8 percent, however, no funds are requested by the Administration for a second contribution to the Sub-Saharan Facility of the World Bank. The Administration is requesting the creation and funding of a new international financial institution, the Multilateral Investment Guarantee Agency, at a level of $44.4 million. The international organizations and programs account is requested at a level of $186 million, a 30 percent decrease from fiscal year 1986 post sequestration levels. These cuts substantially affect the United Nations Development Program, the U.N. Children's Fund (UNICEF), the International Fund for Agricultural Development (IFAD) and many other smaller programs.

In bilateral economic assistance, programs administered by the Agency for International Development (excluding the Economic Support Fund) in total are requested to receive a 6.7 percent increase. However, requests for two accounts, Health, Development Assistance ($-41.4 million) and American Schools and Hospitals Abroad ($-23.5 million) are significant cuts. The Administration is requesting an increase of 15.6 percent or $553.2 million in the Economic Support Fund.

Military assistance programs for fiscal year 1987 in total are requested by the Administration to increase by 16.6 percent or $958.9 million above fiscal year 1986 post sequestration levels. The largest requested increase in this title of the bill is for the Military Assistance Program. This increase is 33.2 percent or $248.1 million above fiscal year 1986 post sequestration levels. The Foreign Military Credit Sales program request is an increase of 14.0 percent or $694.2 million.

In the area of export assistance, the Administration is requesting a new program, the Fair Export Financing Program, at a level of $300 million.

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FISCAL YEAR 1986 SUPPLEMENTAL REQUESTS AND RESCISSIONS

The Administration is requesting $4.8 million in the anti-terrorism assistance program and $50 million for a new foreign assistance contingencies fund. Rescissions totalling $51.7 million are also proposed for the international organizations and programs account.

DEPARTMENT OF STATE

The budget request for the Department of State totals $3,920,195,000, reflecting a net increase of $835,816,000 from appropriations anticipated for fiscal year 1986 after sequestration and including the proposed Security Supplemental. This amount reflects increases for built-in-changes including annualization of fiscal year 1986 program increases, overseas wages and prices and annualization of the proposal fiscal year 1986 Security Supplemental. The increase also reflects substantial program enhancements for the following programs: security (both ongoing and as a result of the fiscal year 1986 Security Supplemental); construction of 23 new office buildings overseas due to increased security standards; reporting and analysis; communications and information systems; professional development and training; overseas consular and administrative workload; and restoration of the full United States assessed contribution for support of the United Nations Interim Force in Lebanon (UNIFIL). These increases are offset by reductions for non-recurring costs of one-time requirements associated with programs and activities funded in 1986, including the Security Supplemental, and savings from management initiatives. The budget request for the United States assessed contributions to international organizations is consistent with the authorization enacted for fiscal year 1987 which limits the U.S. payment for the United Nations and its specialized agencies to not more than 20 percent of the total budget of those organizations (the current limit is 25 percent) unless certain reforms are undertaken.

BOARD FOR INTERNATIONAL BROADCASTING

The budget includes an increase of $69,225,000 or 70 percent above the fiscal year 1986 adjusted appropriation level for the Board for International Broadcasting. The request includes significant increases for currency rate adjustments ($16,348,000) and the second installment for the transmitter modernization program ($40,723,000), of which $10,000,000 would be allocated to a joint Voice of America/BIB Near East project.

UNITED STATES INFORMATION AGENCY

The budget includes an increase of $104,542,000 or 12 percent above the fiscal year 1986 level adjusted for sequestration and a proposed program supplemental for the United States Information Agency. This increase includes $35.8 million to continue the multiyear program to modernize Voice of America facilities, $32.1 million to maintain and enhance exchange programs to achieve a doubling of this program as provided for in authorizing legislation, $32 million to cover wage and cost increases and other built-in costs of the current program levels, and $4.7 million for built-in costs of the

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East-West Center and Radio Marti and a program enhancement for the National Endowment for Democracy ($1.3 million).

PUBLIC LAW 480

For the P.L. 480 program the budget requests $1,164,000,000 in budget authority, a decrease of $78,894,000 below the amount appropriated for fiscal year 1986. These funds will provide for a total availability in fiscal year 1987 of $1,544,400,000, or $63,360,000 less than appropriated to date for fiscal year 1986. The level of programming in 1986 included $131,900,000 of title II supplemental appropriations carried in 1985 for drought relief in sub-Saharan Africa. This funding was available through December 31, 1985, only and represented 300,000 metric tons of total title II commodity programming. The projected volume of commodities to be shipped in fiscal year 1987 under P.L. 480 is proposed at 5.3 million metric tons under titles I and III and 1.9 million metric tons under title II. The difference between total budget authority ($1.54 billion) and new budget authority ($1.16 billion) results primarily from carryover funds and loan repayments.

The proposal reflects in part the expectation that food aid needs in sub-Saharan Africa will continue to decline from the extraordinary levels of recent years. Additionally, the $225,000,000 emergency reserve for Africa remains available through September 30, 1986.

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GENERAL SCIENCE, SPACE, AND TECHNOLOGY

(Function 250)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	8,674	0	5,526	5,526	
Not requiring authorization	773	3,181	558	3,740	
Subtotal	9,447	3,181	6,084	9,266	9,150
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	0	−4	0	−4	−4
Subtotal, appropriation requests	9,447	3,178	6,084	9,262	9,146
Proposed legislation, not through the appropriation process	0	0	0	0	
Permanents, trust funds and revolving funds	5	−77	3	−74	
President's budget requests	9,452	3,100	6,088	9,188	

Note: May not add due to rounding.

Functional Description

This function includes science and research activities of the Federal Government where the goal is the general advancement of knowledge. In addition, research programs that have diverse goals and cannot readily be classified into one specific function are placed here to avoid detailed splitting of accounts.

Included in this function are general scientific research programs that are not an integral part of the programs conducted under another function. This includes space research and technology, except aeronautical technology of the National Aeronautic and Space Administration; research conducted by the National Science Foundation; and the broad-based scientific activities of the Department of Energy.

Research programs that are an integral part of the achievement of other major functions—e.g., health, national defense, energy—are excluded from this function. Only if a research program cannot readily be included in other functions is it classified in this function.

Committee Views

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION AND NATIONAL SCIENCE FOUNDATION

The fiscal year 1987 request for NASA is $7,700,000,000. The "current services" level for NASA, after the application of Gramm-Rudman in fiscal year 1986, is $7,600,000,000. The current rate for NASA is $7,333,000,000. The Committee is recommending that

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funding be provided for NASA at approximately the "current services" level of $7,600,000,000 in 1987. In addition, the Committee notes that if a decision is made to replace Challenger with a new orbiter, approximately $800,000,000 will be required to meet that expense in fiscal year 1987. The Committee recommends that such amount be allocated within function 250 for a replacement orbiter unless, of course, the full cost of the vehicle has been previously provided in a fiscal year 1986 supplemental. It is currently estimated that the total cost of a replacement orbiter and a set of "structural spares" is about $2,000,000,000.

The fiscal year 1987 request for NSF is $1,686,000,000. The "current services" level for NSF after the application of Gramm-Rudman in fiscal year 1986 is $1,516,000,000. The current rate for NSF is $1,458,000,000. The Committee is recommending that funding be provided for NSF at approximately the "current services" level of $1,516,000,000 in 1987.

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ENERGY

(Function 270)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

(In millions of dollars)

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	459	0	324	324	
Not requiring authorization	2,843	2,093	1,914	4,006	
Subtotal	3,302	2,093	2,237	4,330	4,808
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	−101	0	−100	−100	−161
Subtotal, appropriation requests	3,201	2,093	2,137	4,230	4,647
Proposed legislation, not through the appropriation process	402	0	478	478	
Permanents, trust funds and revolving funds	2,962	314	1,207	1,521	
Offsetting receipts	−2,211	0	−2,211	−2,211	
President's budget requests	4,355	2,407	1,611	4,017	

Note: May not add due to rounding.

Functional Description

This function includes those programs whose primary purpose is to promote the conservation and development of energy resources through research and applications of nuclear power, fossil fuels, solar, synthetic fuels and other energy resources. It encompasses development of additional energy resources and technologies that will increase production from domestic energy resources; energy conservation programs involving energy saving technology and grants to promote conservation practices; emergency energy preparedness; and energy information and regulation. Agencies that carry out these activities include the Department of Energy, Nuclear Regulatory Commission, Tennessee Valley Authority, and the Department of Agriculture.

Committee Views

Energy Research Programs.—Energy Supply, Research and Development decreases by $442 million. This represents substantial reductions in all of the energy research programs, i.e., Solar and Renewables, Nuclear Fission and Magnetic Fusion contained in that account.

Deferrals.—The FY 1987 budget assumes deferral of $710 million of the FY 1986 Energy and Water Development appropriations to the Department of Energy. $65 million of the funds proposed for deferral were for increases for Solar and Renewable programs and the University research related activities, $584 million in reductions to the Uranium Enrichment Centrifuge and Gaseous Diffu-

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sion programs; and $59 million in funds for the Power Marketing Administrations which the Administration considers unnecessary to reach the FY 1986 objectives.

Facility Sales and Revenues.—The budget assumes the sale of the Power Marketing Administrations. The budget is predicated on the sale requiring substantive legislation and revenues are reflected beginning in FY 1988.

The budget also assumes the passage of legislation requiring a revision in the Power Marketing Administration rate making process. If enacted, this would represent an increase in revenues of $170 million in FY 1987. The revenues are not used by the Agency to offset expenses, therefore there would not be a change in the requested appropriation.

The budget also reflects a desire to commercialize the Advanced Uranium Enrichment technologies and assumes a substantial private contribution to the research and demonstration program.

Nuclear Regulatory Commission.—The NRC budget request for FY 1987 is $405 million which is $5 million greater than the FY 1986 appropriation of $400 million.

Fossil Energy Research and Development.—The fossil energy request for FY 1987 is for a total program of $150,090,000, a reduction of $192,894,000 (56%) from FY 1986 program levels. In addition, $66,886,000 of FY 1986 funds are proposed to be deferred for use in FY 1987 which will have a significant negative effect on FY 1986 programs also. Along with $437,000 proposed to be transferred from the Energy Security Reserve to monitor the Great Plains Gasification Plant, the use of these deferred funds leads to a request of $82,767,000 in new budget authority in FY 1987.

All fossil areas are reduced significantly. Coal programs are reduced from $246,015,000 to $82,227,000. The enhanced oil recovery program is reduced by $10,682,000 to $6,295,000; oil shale by $8,541,000 to $3,595,000; and unconventional gas recovery by $3,251,000 to $5,252,000.

To continue a program with the same general goals as the fiscal year 1986 appropriation would require overturning proposed fiscal year 1986 deferrals and addition to new budget authority of around $200 million. The combination of these actions would result in outlay increases of around $75–$100 million.

Naval Petroleum and Oil Shale Reserves.—The budget assumes that the process of selling the Petroleum Reserves will be undertaken in FY 1987, but funding for operations is budgeted for the entire year pending such sale.

The program request of $163,569,000 is a decrease of $2,281,000 from the FY 1986 program level of $168,850,000. Development drilling on NPR 1 and 3 will remain about level with FY 1986, and the government share of production is estimated at approximately 91,000 barrels per day. New budget authority of $127,108,000 is requested since $36,461,000 of unobligated prior year balances are anticipated to be available. Gross Federal revenues from the Reserves are estimated to be $1.1 billion.

If NPR are sold the budget assumes:

(1) a future rescission of FY 1987 budget authority ($78.8 million);

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(2) a net increase of about $700 million in revenue in FY 1987 ($1.2 billion from asset sale less loss of revenues of $505.9 million); and

(3) revenue of $2.4 billion in FY 1988 from asset sale.

Energy Conservation.—The request of $71,215,000 is a reduction of $99,667,000 below the FY 1986 program of $170,882,000 for conservation research and development. In addition to this large reduction, $36,782,000 of the requirement is to be financed by deferrals of FY 1986 activities, resulting in a request of $34,433,000 in new budget authority. All areas of the research and development program are projected to have large decreases.

To continue a conservation research and development program with the same general goals as the fiscal year 1986 appropriation would require overturning proposed fiscal year 1986 deferrals and addition of new budget authority of about $100 million. The combination of these actions would result in outlay increases of $50–$60 million.

All State and local programs, which include low-income weatherization, schools and hospitals conservation grants, the energy extension service, and conservation grants to States are proposed to be eliminated in fiscal year 1987. A request of $5,000,000 is for administrative expenses to close out these programs, which were funded at a level of $256,630,000 in FY 1986. The budget assumes that funds available to States from oil overcharge cases can be applied to these programs by the States.

Assuming oil overcharge funds such as those in the Exxon case are distributed to the States, grant programs funded in fiscal year 1986 could be supported on a reasonable basis, at least in fiscal year 1987, by the States.

Economic Regulation.—This account includes the Economic Regulatory Administration and the Office of Hearings and Appeals.

For the Economic Regulatory Administration, there is a decrease of $1,298,000 from fiscal year 1986 to $16,850,000 in fiscal year 1987. The decrease reflects termination of the fuels conversion program based on repeal of the Powerplant and Industrial Fuel Use Act.

The request for the Office of Hearings and Appeals is $5,000,000, a decrease of $275,000 under FY 1986. No major changes in the program are anticipated.

Emergency Preparedness.—The request for Emergency Preparedness is $6,044,000 and reflects no changes in programs from FY 1986.

Strategic Petroleum Reserve.—The FY 1987 budget once more assumes an indefinite moratorium on the further development of the Strategic Petroleum Reserve. No oil fill will take place in FY 1987 and the Reserve will remain at about 500 million barrels which are anticipated to be in the Reserve by the end of FY 1986. No new budget authority is requested, and the $150,000,000 needed for the standby program will be obtained from funds deferred from FY 1986. The development of distribution enhancements at Bryan Mound and modifications to the Sun Terminal will continue in order to permit drawdown of the SPR oil at a rate of about 3 million barrels a day in 1987.

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Since cavern development will cease and construction of the Big Hill site will end, $197,941,000 is proposed to be deferred during FY 1986, including funds previously deferred and subsequently made available by Congress by overturning the original deferral. In the SPR Petroleum account, $577,534,000 is proposed to be deferred in FY 1986.

If Congress insists on continued construction of storage capacity, and the proposed fiscal year 1986 deferral is overturned, new budget authority of $150-200 million would be required in FY 1987. These actions would increase outlays by around $100 to $150 million. No new budget authority would be required to fill the Reserve at the rate contemplated in the fiscal year 1986 reconciliation bill (35,000 barrels a day). Outlays would be around $250 million at $20 a barrel.

Energy Information Administration.—The request for FY 1987 is $59,651,000, an increase of $1,927,000 over FY 1987. Increases of $500,000 for a uranium industry viability assessment and $2,583,000 for administrative support are offset by eliminating several systems including State heating oil grants and State data systems consistently supported by Congress.

Receipts from Outer Continental Shelf Oil and Gas Leasing.—The fiscal year 1987 estimate for Outer Continental Shelf Leasing is $5.3 billion compared to the revised 1986 estimate of $5.5 billion. The current 1986 estimate has been significantly revised from the initial 1986 estimate of $7.3 billion.

The decrease of $0.2 billion under the 1986 revised estimate is based on the anticipated release in 1986 of funds held in escrow resulting from the resolution of the dispute over revenue sharing with the States on Section 7 and 8(g) or "common pool" tracts. The 8(g) controversy is not settled. If provisions in the Budget Reconciliation Bill are adopted, there could be a greater return to the States which could have a serious impact on receipts in fiscal year 1986.

RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration (REA), under authority of the Rural Electrification Act of 1936, as amended, makes insured loans and guaranteed loans. The guaranteed loans are made primarily by the Federal Financing Bank. These loans are for the purpose of extending and improving electric and telephone service in rural areas.

For electrification loans the budget proposes $375,000,000 for insured loans, $247,050,000 less than the amount available for fiscal year 1986. For guaranteed loans the budget proposes $225,000,000, a reduction of $588,450,000 below the fiscal year 1986 level.

For telephone loans the budget proposes $60,000,000 for the insured loans, $179,250,000 less than the amount available for fiscal year 1986. No guaranteed loans are proposed for fiscal year 1986. This would be a reduction of $119,625,000.

The budget proposes no funds for capitalization of the Rural Telephone Bank. In addition, the budget proposes to rescind $28,710,000 appropriated for the Bank for fiscal year 1986, as well as the $100,000,000 appropriated for interest and other losses of the Rural Electrification and Telephone Revolving fund. Appropria-

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tions required for restoration of losses in 1987 will be approximately $300 million plus $116 million for 1986 losses not previously restored. Should Congress restore these programs to the 1986 level and should the rescissions are rejected by the Congress, there will be a corresponding budget authority and outlay impact in fiscal year 1987.

The budget proposal is the first year of a proposed program to phase out REA by 1990. In addition, legislation will be proposed to increase the interest rate on direct loans from 5 percent to the cost of Treasury borrowing plus 1⅛ percent and to restrict available assistance to financially weaker borrowers. Supplemental financing requirements will also be increased to coincide with the phaseout of the loan program. The budget also proposes a 5 percent user fee assessment on direct loans. This user fee would be used to cover administrative and expenses in lieu of appropriated funds.

The Committee will explore these proposals in detail during its upcoming hearings. However, the Committee would point out that similar reductions were proposed in the budget last year and were not fully accepted by the Congress. Should the program be restored to last year's level, fiscal year 1987 outlays will increase accordingly.

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NATURAL RESOURCES AND ENVIRONMENT

(Function 300)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	1,916	0	867	867	
Not requiring authorization	9,581	6,335	7,286	13,621	
Subtotal	11,497	6,335	8,153	14,488	14,630
Supplementals (including outlays from 1986 supplemental)	0	3	0	3	2
Proposed legislation and rescissions	1,955	−152	168	17	12
Subtotal, appropriation requests	13,452	6,186	8,321	14,508	14,644
Proposed legislation, not through the appropriation process	−400	0	−370	−370	
Permanents, trust funds and revolving funds	1,020	302	653	955	
Offsetting receipts	3,135	0	−3,135	−3,135	
President's budget requests	10,937	6,488	5,470	11,958	

Note: May not add due to rounding.

Functional Description

This function includes those programs whose primary purpose is to develop, manage, and maintain the Nation's natural resources and environment. It encompasses development and management of water resources and hydroelectric power; protection and enhancement of environmental quality; development and maintenance of recreational resources; promotion of the prudent use of forest and mineral resources; the fostering of conservation practices on both public and private lands; and management of the public domain.

Agencies that carry out these activities include the Corps of Engineers, the Departments of Agriculture, Interior, and Commerce, the Environmental Protection Agency and the Tennessee Valley Authority.

Excluded from this function are urban water supply programs, basic sewer systems, and waste treatment plants that are an integral part of a Federal facility (such as a military installation) unless they are an integral part of an environmental protection program and are specifically funded as environmental protection.

Committee Views

PROTECTION OF LAND FOR FOOD PRODUCTION

The Committee has long been convinced that adequate protection of the soil and water of this Nation is of the highest priority and is heartened by the increasing attention given to this need in the national press. The 1987 budget request for operation of soil and water conservation programs is about 47 percent of the funding level appropriated for 1986. It proposes that 1987 be a transition

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year that would result in termination of many Federal conservation programs, and turn some over to State and local agencies. Programs scheduled for termination include the river basin investigations, watershed planning, watershed and flood prevention operations, Great Plains conservation, resource conservation and development, agricultural conservation program, forestry incentives, and water bank program.

For fiscal year 1987 the budget requests $457 million for soil and water conservation costs and of the $457 million, only $350.6 million is for continuing programs. The remainder is for termination costs. This compares with $867 million appropriated for 1986.

Contingencies identified in this area are additional funds for all of the conservation and flood control programs, and new construction starts, including the personnel needed to carry out existing programs plus new provisions of the Food Security Act of 1985. The Committee would also point out that major reductions in the budget were proposed last year but were rejected by the Congress. Therefore, it will be necessary for the Congress to restore a large portion of the reduction if adequate soil and water conservation is to be assured. The budget authority for these programs, should they be restored to last year's level, would be approximately $500,000,000. Outlays for these programs occur over a several year period.

The President's budget has also proposed to rescind $222,200,000 in conservation funds appropriated for fiscal year 1986. Should these rescissions be rejected by the Congress, there will be an outlay impact in fiscal year 1987.

WATER RESOURCE PROGRAMS

Corps of Engineers.—The FY 1987 budget request of the Corps is $3,069,500,000, an increase of $368,696,000 above the FY 1986 appropriation level.

The budget includes 12 new surveys, 9 new continuation of planning and engineering studies, 2 new advance engineering and design projects, and 19 new construction project starts.

Bureau of Reclamation.—The FY 1987 budget reflects an increase of $106,737,000 compared with the FY 1986 appropriation.

The budget includes 4 new investigations and 3 new advance planning studies. No new construction starts have been requested in FY 1987.

INTERIOR AND FOREST PROGRAMS

Bureau of Land Management.—The request for Management of Lands and Resources, the principal operating appropriation, is $375,685,000, a reduction of $3,454,000 from the FY 1986 level adjusted for sequestration. Many of the changes proposed reflect proposals made in recent years but rejected by the Congress.

Oregon and California Grant Lands requirements are $51,160,000, a decrease of $2,219,000 below FY 1986, mainly attributed to reduced requirements because of reoffering of timber returned pursuant to the Timber Contract Modification Act of 1984.

Range improvements decrease to $8,506,000 based on 50% of receipts without a $10,000,000 minimum appropriation.

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A proposal to share the cost of generating timber receipts on the Oregon and California lands before distributing receipts to Oregon and California counties would result in a $25,000,000 decrease in permanent appropriations to the Oregon and California counties.

Grazing fees are frozen at 1985 levels.

Fish and Wildlife Service.—The request of $285,127,000 is a reduction of $1,402,000 compared to the 1986 appropriation less sequestration and a reduction of $14,288,000 from the 1986 appropriation. Major reductions include $9,489,000 for the accelerated refuge maintenance management system; $2,069,000 in the hatchery system which includes the closure or transfer to state operation of 6 national fish hatcheries; and $6,737,000 related to endangered species programs.

There are proposed increases of $696,000 for comprehensive surveys for suspected industrial and agriculture contaminants and $257,000 to accelerate the identification of point/non-point source contaminant discharges impacting fish and wildlife resources. The Committee will examine these estimates carefully to assure that adequate funds are available to deal with known or suspected contaminants on refuges and to assure that existing facilities can be maintained properly.

The request of $3,113,000 for construction provides only for dam safety and advance planning. No construction money is provided for refuges, hatcheries, fishery research facilities or wildlife research facilities. The request represents a reduction of $18,055,000 from the 1986 appropriation and $17,145,000 after sequestration. No follow-on funds are requested for the further development of the Nisqually Fish Hatchery or the Northeast Anadromous fish facility.

The land acquisition request is $1,500,000 which is solely for acquisition management. The 1986 appropriation is $38,688,000 after sequestration.

No advance appropriation is requested for the Migratory Bird Conservation Account, a reduction of $14,323,000 below the 1986 appropriation. There will be $16,500,000 in revenue from the sale of duck stamps available in 1987 to acquire 24,400 acres of migratory bird habitat.

National Park Service—The request of $596,482,000 for Operation of the National Park System is $27,514,000 below the FY 1986 appropriation and $687,000 below the appropriation adjusted for sequestration. In addition, there is $59,000,000 proposed for operating the parks to be derived from increases in recreation fees through a permanent, indefinite appropriation. Separate legislation is to be submitted to implement the increase in recreation fees. If the fee increase is not accepted, additional appropriations will be required to operate the National Park System.

National Recreation and Preservation programs are $1,008,000 below the appropriation adjusted for sequestration. Proposed decreases are similar to those asked for in recent years, including recreational programs and river and trail studies.

No funds are requested for the Historic Preservation Fund for which $23,729,000 is available in FY 1986 after sequestration.

The request for Park Service construction is $29,114,000, a reduction of $79,444,000 from the 1986 appropriation adjusted for seques-

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tration. The request will provide for eight projects in seven different parks each of which is directed at health and safety or resource protection. A rescission of $8,713,000 is proposed for 1986. The Congress has generally supported Park Service construction at significantly higher levels. Separate legislation is proposed for Park Service road construction. The proposed legislation would provide $75,000,000 for Park Service road construction.

Land acquisition and State Assistance.– No funds are requested for 1987 for State assistance grants. Funding is included to continue emergency Park Service acquisitions and to pay anticipated deficiency awards ($8,000,000). There is also $5,000,000 for acquisition management. In 1986, the Congress provided $47,563,000 in assistance to States and $46,041,000 for Federal land acquisition.

Geological Survey.—The FY 1987 request of $395,500,000 is a reduction of $15,406,000 from the FY 1986 level adjusted for sequestration, and $33,869,000 below the FY 1986 enacted level. The budget proposes reductions including side-looking airborne radar, regional earthquake monitoring, mineral resource assessments of Forest Service lands, offshore surveys of the Gorda Ridge, regional aquifer systems, nuclear waste hydrology, the Federal-State cooperative water program, and grants and research connected with State Water Resources Research Institutes. The Committee is likely to continue the initiative begun in fiscal year 1986 to provide more comprehensive knowledge of water quality.

Minerals Management Service.—The FY 1986 request of $160,900,000 is an increase of $1,071,000 from the FY 1987 level adjusted for sequestration, and a decrease of $6,110,000 below the 1986 enacted level. This decrease is due largely to cuts in the resource evaluation program as a result of a proposal to reduce funding for environmental studies and offshore operations. In addition, funding for the royalty management systems development and operation program reflects a decrease due to cost savings from the installation of an upgraded and modified system. Funding increases are requested for consolidating MMS headquarters staff, for rental payments and for paying interest on refunds, which requires legislation. As a result of legislation in FY 1986, processing costs related to the acquisition of prelease geologic and geophysical data will decrease in future years, but funding is needed in FY 1987 to pay for data from permits issued prior to FY 1986.

Bureau of Mines—The FY 1987 request is $107,100,000, a reduction of $20,611,000 from the FY 1986 level adjusted for sequestration. The FY 1987 budget request follows the pattern of recent budgets by eliminating the Mineral Institute program which was funded at $7,950,000 in FY 1986 and by continuing to make further reductions to minerals health and safety and mining technology. The Bureau states it can make these reductions by concluding lower priority research efforts and focusing on a select number of high priority research topics. To continue the current services level of the Bureau would require an additional $26,000,000 in new budget authority and approximately $18,000,000 in outlays.

Office of Surface Mining.—The request for the regulation and technology account is $100,880,000, an increase of $19,378,000 over the FY 1986 level adjusted for sequestration and $15,738,000 over the FY 1986 enacted level. This change reflects increased financial

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and technical support by OSM for State regulatory programs; increased funding to improve regulatory and enforcement training; funding to expand the applicant-violator system in response to the out-of-court settlement of the Parker and Gasch order in addition to providing for a comprehensive financial management system; and funding to decentralize certain headquarters functions to field offices and technical centers. The requested increases reflect expressed Committee priorities.

For the Abandoned Mine Reclamation Fund, there is a request of $190,520,000, a decrease of $6,757,000 under the FY 1986 level adjusted for sequestration and $15,621,000 under the FY 1986 enacted level. State reclamation grants are decreased from $156,156,000 to $150,600,000 which OSM states will provide full administrative support to the States and allow 225 new reclamation construction projects. As in past years, no funds are included for the Soil Conservation Service to begin new Rural Abandoned Mine projects.

Bureau of Indian Affairs.—The request for the Bureau of Indian Affairs natural resources development program is $101,082,000, a decrease of $18,444,000 from the 1986 appropriation and a decrease of $13,305,000 from 1986 adjusted for sequestration.

A significant decrease is $11,449,000 in the forestry and agriculture program. This includes the $6,000,000 in emergency hay relief provided in 1986, but also reduces forest development (−$3,750,000); fire equipment ($415,000); and water policy implementation (−$1,500,000).

Departmental Offices.—The request for departmental offices is $80,600,000, a decrease of $693,000 below the 1986 appropriation but an increase of $2,716,000 above the 1986 appropriation after sequestration.

Forest Service.—The request for forest research is $111,481,000, a decrease of $14,041,000 from the 1986 appropriation, and $8,646,000 from 1986 adjusted for sequestration. All line items are reduced, with the largest decreases in forest inventory and analysis (−$2,827,000), and acid rain research (−$2,733,000). The result of the budget request would be to terminate seven research work units, and close four research locations: Fairbanks, AK, University Park, PA, Parsons, WV, and Sewanee, TN.

The request for State and private forestry is $24,871,000, a decrease of $32,767,000 from the appropriation and $30,289,000 from 1986 adjusted for sequestration. As in the past several years, the budget proposes no funds for pest suppression on non-Federal lands, reduces fire protection by $10,000,000. eliminates funding for the forest management and utilization activities, including urban forestry grants, and reduces special projects funding to $2,800,000, for the Boundary Waters Canoe Area grant.

The request for the National forest system is $889,488,000, a decrease of $158,813,000 from the 1986 appropriation, and $113,736,000 from 1986 adjusted for sequestration. The budget assumes a timber sales program of 10.0 billion board feet, compared to 11.4 BBF in 1986. The reforestation and timber stand improvement budget request is $57,948,000, compared with $99,420,000 in 1986. $30,000,000 of this comes from the Reforestation Trust Fund. All line items are decreased, with the largest decreases being $11,015,000 for forest fire protection; $15,377,000 for road mainte-

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nance; and $52,167,000 for recreation. This last decrease is offset by a request for $52,000,000 for a new account, operation and maintenance of recreation facilities, which would provide for the return of user fee receipts. This is based on proposed legislation to amend the Land and Water Conservation Fund to be submitted later. A request of $5,000,000 will be submitted later for the proposed FS/BLM interchange, with legislation.

The request for construction is $195,197,000, a decrease of $27,325,000 from 1986, and $17,757,000 from 1986 adjusted for sequestration. All line items decrease, with the largest percentage reductions in facilities construction (−$15,548,000, or 132%) and trail construction (−$2,057,000, or 41%). The request for forest road construction is $178,485,000, a decrease of $9,720,000 from the 1986 appropriation and $1,627,000 from 1986 adjusted.

The request for land acquisition is $3,206,000, compared to $28,130,000 appropriated in 1986 (adjusted for sequestration to $26,920,000). These funds will be used to cover the cost of closing existing cases. The remaining small accounts in the Forest Service total $5,751,000, compared to $4,684,000 appropriated in 1986 ($4,483,000 as adjusted for sequestration). Estimated payments to counties and States in 1987 are reduced from $217,830,000 (adjusted) in 1986 to $84,890,000. This reduction is based on proposed legislation that will change the program from a gross receipts sharing to a net receipts basis.

DEPARTMENT OF COMMERCE

For the Department of Commerce's National Oceanic and Atmospheric Administration, the budget proposes termination of virtually all grant and specialized research programs, as well as significant reductions or elimination of many ongoing public service programs. Most of these reductions or program terminations were proposed in the fiscal year 1985 and 1986 budgets and not approved by Congress. These include: Sea Grant, Coastal Zone Management State Assistance grants, specialized agricultural weather service programs, the polar orbiting satellite system, and various state and industry assistance programs. Because of the strong support in the Congress for these programs, the Committee will very carefully review each of these proposed reductions or program terminations.

The budget request for the National Bureau of Standards proposes elimination of the Center for Building Technology and the Center for Fire Research, and severe reductions for the Institute for Computer Sciences and Technology, all of which have had strong Congressional support in the past. The NBS proposal also contains requests for significant increases for other initiatives such as the cold neutron research facility, advanced ceramics and fiber optics.

The budget again proposes to eliminate the Public Telecommunications facilities, planning and construction grant program, which has received strong Congressional support for the past several years.

The budget request for the Patent and Trademark Office (PTO) reflects an increase of $28,574,000, or 35 percent, over the fiscal year 1986 adjusted appropriation, primarily due to increased costs

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for patent automation. The Committee understands that the PTO request is based on the enactment of certain legislative proposals, which may be at variance with those of the authorizing committee. The Committee will carefully monitor this matter in order to meet requirements within the legislative limits imposed.

ENVIRONMENTAL PROTECTION AGENCY

The fiscal year 1987 request for EPA is $4,259,466,000, including the pending supplemental request for construction grants. The "current services" level for EPA, after application of Gramm-Rudman in fiscal year 1986, is $4,784,000,000. The current rate for EPA is $4,630,000,000. The Committee is recommending that funding be provided for EPA at approximately the "current services" level of $4,784,000,000 in 1987.

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AGRICULTURE

(Function 350)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	4,406	667	1,429	2,096	
Subtotal	4,406	667	1,429	2,096	2,182
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	−203	0	−201	−201	−205
Subtotal, appropriation requests	4,203	667	1,228	1,895	1,977
Proposed legislation, not through the appropriation process	−842	0	−629	−629	
Permanents, trust funds and revolving funds	16,312	16,155	2,211	18,365	
Offsetting receipts	−90	0	−90	−90	
President's budget requests	19,583	16,821	2,720	19,541	

Note: May not add due to rounding.

Functional Description

This function includes those programs that promote the economic stability of agriculture and the capability to maintain and increase agricultural production. These are carried out through farm income stabilization activities that maintain and regulate agricultural markets and practices, inspect agricultural products, and restore losses from the disposal of surplus commodities. It also includes programs that provide research and technical, economic, and market information services to farmers, processors, distributors and consumers.

The function does not include programs which, though related to rural development, are not directly related to agriculture. Examples are rural environmental and conservation programs which are under the natural resources function.

Committee Views

The Committee faces one of the most difficult tasks in its history in handling the 1987 budget request for the Department of Agriculture. Department of Agriculture outlays in 1987 are proposed to be almost $10.0 billion less than 1986. While some of the reductions and terminations are in areas other than Function 350, they nevertheless directly effect American Agriculture. Overall reductions totaling $4.9 billion in loans and $3.6 billion in budget authority are proposed for the Department of Agriculture as follows:

Program reductions

Programs eliminated **$4,729,444,000**

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Programs reduced	2,318,100,000
User fee proposals	534,200,000
Rescissions	1,056,205,000

There are no significant program increases proposed in the 1987 budget for the Department of Agriculture.

The following is a detailed listing of the program reductions, terminations, rescissions and user fee proposals for the Department of Agriculture. Many of these proposals fall directly within the Agriculture Function 350, and they all relate directly to American Agriculture.

Programs eliminated

Conservation programs:	
Agricultural conservation program	$190,000,000
Watershed and flood prevention operations	223,843,000
Great Plains conservation program	21,531,000
Water bank program	8,800,000
Forestry incentives program	12,500,000
Resource conservation and development	26,320,000
River basin surveys and investigations	14,906,000
	497,900,000
Rural development programs:	
All rural housing loans	2,112,000,000
All rural development loans	540,000,000
All rural grants	169,500,000
	2,821,500,000
Farmer programs:	
Farm ownership loans	520,000,000
Emergency loans	700,000,000
	1,220,000,000
Research and Extension:	
Special research grants	29,000,000
Animal health grants	5,600,000
Expanded food and nutrition education program (EFNEP)	60,354,000
Urban gardening	3,500,000
Farm safety	1,020,000
Financial management assistance to farmers	1,500,000
Renewable resource extension	2,500,000
Pest management programs	7,531,000
Graduate fellowships and Morrill-Nelson	4,800,000
Foreign currency research	3,000,000
	118,805,000
Animal and plant health:	
Animal welfare and horse protection	5,024,000
Imported fire ant	5,809,000
Noxious weeds	789,000
Pseudorabies	2,322,000
Witchweed	4,723,000
	18,667,000
Agricultural marketing:	
Wholesale market development	1,582,000
Federal-State market improvement program	990,000
Feeding programs:	
Temporary emergency food assistance program	50,000,000
	$4,729,444,000

Significant program reductions

REA loans and guarantees	$1,100,000,000
Animal damage control	10,000,000

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Extension services/Smith-Lever funds	112,400,000
Foreign market development	12,000,000
Food stamps [1]	313,300,000
Child nutrition programs [1]	755,500,000
Nutrition education and training	(5,000,000)
Special milk [1]	14,900,000
	2,318,100,000

[1] Requires legislation.

User fees proposals

Legislation will be proposed to fund the following *agencies* or programs through user fees in lieu of appropriated funds. If this legislation is rejected—as in the past—the following amounts will need to be *restored* in the appropriation bill:

Food and Drug Administration	$26,000,000
Food Safety and Inspection Service	366,700,000
Federal Grain Inspection Service	6,700,000
Packers and Stockyards Administration	9,200,000
Agricultural Cooperative Service	4,700,000
Agricultural Marketing Service	28,900,000
Animal and Plant Health Inspection Service (various programs)	21,000,000
Rural Electrification Administration [1] (administrative costs)	25,000,000
Agricultural Stabilization and Conservation Service [2] (administrative costs)	46,000,000
	534,200,000

[1] The budget proposes a 5% user fee on all REA loans.
[2] The budget proposes user fees to cover the administrative cost of making price support loans.

Rescissions

Agricultural conservation program	$140,839,000
Watershed and flood prevention operations	60,401,000
Great plains conservation program	6,606,000
Water bank program	8,371,000
Rural clean water program	6,000,000
Dairy indemnity	95,000
REA reimbursement	100,000,000
REA Telephone Bank	28,710,000
Food donations program	5,183,000
Low-income housing (Sec. 502)	460,000,000
Rental housing (Sec. 515)	233,000,000
Other loans	7,000,000
	1,056,205,000

The new obligational authority proposed in the budget for programs directly tied to agriculture does not provide adequate funds to help farmers meet their growing financial problems resulting from declining income and increasing costs. While some farmers have been able to avoid bankruptcy during today's farm crisis, many are deeply in debt. Total farm debt has reached $212 billion, more than double the level of seven years ago.

The economic health of agriculture must be restored. Agriculture is the Nation's largest producer of new wealth. It is bigger than the auto, steel, and housing industries combined. It is the largest market for the goods and services of industry and labor.

The 1987 budget must provide adequate flexibility to enable the Congress to provide for programs which will restore farm income to a level which will keep farmers in the business of producing the

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Nation's supply of food and fiber, and thereby maintain the foundation of our economy.

The commodity price support, export credit sales, and storage facility loan programs are financed through the Commodity Credit Corporation. The outlays for any fiscal year generally relate to the previous crop year; in other words, fiscal year 1987 costs primarily cover the 1986 crop year.

Because of the uncertainties of weather conditions and market prices throughout the world, it is impossible to determine in advance the cost of USDA's commodity price support programs. For this reason, CCC is authorized to borrow money from Treasury, up to a limit of $25 billion, to finance its operations. Outlays for the price support programs of the Commodity Credit Corporation are authorized by legislation which is primarily under the jurisdiction of the legislative committees.

Unusualiy good or bad weather will have a significant impact on CCC outlays which can vary by as much as several billion dollars. Appropriations (budget authority) to restore CCC losses are normally made after the fiscal year in which the loss occurs and are under the jurisdiction of the Appropriations Committee. The budget for 1987 proposes a permanent indefinite appropriation to restore such losses. The Congress has consistently rejected similar proposals. A total of $14,608,946,000 in budget authority has been made available to date in fiscal year 1986, and there is an additional supplemental request pending of $6,457,143,000, which appears to be understated by approximately $1.0 billion. The estimate for restoration of losses for 1987 is $16,710,412,000. However, the President's budget in recent years has consistently underestimated funds needed for restoration of CCC losses. In fiscal year 1986, the President's budget underestimated CCC losses by $12.6 billion. It is highly probable that the budget again underestimates CCC losses. Therefore, a contingency in the range of $5.0 to $6.0 billion in budget authority for restoration of net realized losses may exist for fiscal year 1987.

Appropriations to restore capital impairment are budget authority only and have no direct effect on outlays.

The 1987 budget proposes a number of program decreases in the Agriculture function. Among the items proposed for reduction are various ongoing research projects, including animal health and disease research and many Extension programs, such as farm safety, urban gardening, and the expanded food and nutrition education program. In addition to the major cuts proposed, the budget proposes to request legislation to fund several agencies through user fees and charges. These agencies include the Food Safety and Inspection Service, Federal Grain Inspection Service, Agriculture Cooperative Service, Agriculture Marketing Service, and Packers and Stockyards Administration. These reductions will need to be restored.

Also included in this function are such programs as the farm ownership loans, farm operating loans, and emergency disaster loans. Because of the serious problems facing agriculture, it may be necessary to increase some loans above the level requested in the President's budget for 1987.

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Emergency disaster loans are requested "in amounts necessary to meet the needs resulting from natural disasters" and loan levels depend on the weather and other disaster conditions. However, the Food Security Act of 1985 caps these loans at $700 million in fiscal year 1987. Legislation will be submitted by the Administration in fiscal year 1987 to terminate this program.

For the Animal and Plant Health Inspection Service the funds requested are clearly insufficient to maintain the current level of program performance. There is a tremendous potential for loss of food and fiber through the depredation of disease and pests. The Federal investment in minimizing this loss is repaid many times in increased production, which maintains our favorable balance of trade in agricultural products. In the course of this year's hearings, the Committee plans to review a number of high priority control and eradication programs which must be maintained and may need to be expanded to protect our domestic food supply, as well as our export markets. These programs include the gypsy moth, imported fire ant, witchweed, pink bollworm, grasshopper, brucellosis, animal welfare programs, and animal damage control activities. The Administration will also request legislation to collect user fees for agriculture quarantine inspection, veterinary biologics, import-export, and veterinary diagnostics to be used in lieu of appropriated funds.

The budget proposes to recoup $483,200,000 from user fees. Should legislative proposals for these fees fail enactment, then a corresponding amount of budget authority and outlays will need to be provided.

The Committee will review the budget proposals in detail during the hearings on the 1987 budget. However, the Committee points out that most of the reductions and terminations have also been proposed in the past but were not fully accepted by the Congress.

The Committee has identified serious contingencies in funds proposed for the loan programs, for research and extension, and for insect, disease, and animal control which will require restoration. Reductions below the fiscal year 1986 level total approximately $310 million in budget authority and a similar amount in outlays.

There is substantial evidence to indicate that loan levels for the Agriculture Credit Insurance Fund are significantly underestimated, especially operating loans and farm ownership loans. Should the Congress restore these loan programs to last year's level and reject the proposed termination of the emergency loan program, both budget authority and outlays from the Federal Financing Bank will increase accordingly.

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COMMERCE AND HOUSING CREDIT

(Function 370)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	361	0	287	287	
Not requiring authorization	6,445	884	3,379	4,263	
Subtotal	6,806	884	3,667	4,550	4,681
Supplementals (including outlays from 1986 supplemental)	0	−113	0	−113	2
Proposed legislation and rescissions	349	−134	388	254	678
Subtotal, appropriation requests	7,155	637	4,055	4,692	5,360
Proposed legislation, not through the appropriation process	361	−1,998	361	−1,638	
Permanents, trust funds and revolving funds	3,249	−3,809	2,684	−1,125	
Offsetting receipts	−570	0	−570	−570	
President's budget requests	10,195	−5,170	6,529	1,359	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes collection and dissemination of social and economic data unless this is an integral part of another major function (such as health); mortgage credit and thrift insurance, and loans, subsidies, insurance, and regulation of business unless these are an integral part of another function; and the subsidy to the Postal Service. Agencies involved in this function include Commerce, Agriculture, Housing and Urban Development, the Small Business Administration, the Securities and Exchange Commission, and the Postal Service.

Excluded from this function are subsidized housing programs which are considered an integral part of broad-scale welfare reform and therefore belong in the income security function.

COMMITTEE VIEWS

RURAL HOUSING

Under the loan programs of this function, loans are held in a pool as security for certificates of beneficial ownership, which are sold primarily to the Federal Financing Bank. The loans normally do not impact on budget authority or outlays of the Farmers Home Administration. However, outlays can be affected by the Executive Branch if sales of CBO's are delayed into the next fiscal year. A general provision has been carried in the appropriation bill for a number of years which precludes budget gimmickry in the sale of CBO's. The President's budget proposes to delete this general provi-

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sion. Under procedures initiated by the Office of Management and Budget, outlays from these programs are recorded against the Federal Financing Bank.

For fiscal year 1987 the budget proposes to terminate all low-income housing loans and to rescind $700,000,000 of fiscal year 1986 funds in order to immediately terminate these programs. These programs were funded at $2,112,000,000 in 1986.

The Committee points out that very significant contingencies exist in these loan programs. Should the Congress restore these programs and reject the proposed rescission, budget authority and outlays of the Federal Financing Bank will increase proportionally.

The budget also proposes to terminate all rural housing grant programs. These programs include rural housing preservation, rural housing for domestic farm labor, very low-income housing repair, mutual and self-help housing, and construction defects. A total of $51,250,000,000 was provided for these grants in 1986.

The budget proposes to terminate rental assistance payments. A total of $167,513,000 was provided for this program in fiscal year 1986 which was funded by the Rural Housing Insurance Fund.

Should Congress restore the rural grant programs and rental assistance program, budget authority and outlays will increase accordingly.

SMALL BUSINESS ADMINISTRATION

The budget request for the Small Business Administration reflects the elimination of the agency during the first quarter of fiscal year 1987. This request is similar to the fiscal year 1986 proposal to terminate SBA, which the Congress did not approve. Certain SBA programs at a reduced level would be transferred to the Department of Commerce, including Procurement and Technical Assistance; Innovation, Research and Technology; Advocacy; Minority Small Business/Capital Ownership Development and SCORE. In addition, the Portfolio Management function would be transferred to the Department of Treasury for sale, collection and liquidation of the existing loan portfolio. All business and disaster lending activities would be eliminated.

Of the total budget request of $2,803,621,000 for SBA for fiscal year 1987, $2,708,621,000 would be reallocated to the Commerce and Treasury Departments in a budget amendment proposed for later transmittal under proposed legislation, to fund the programs proposed for transfer to those departments. The amended budget request for SBA would then provide $95,000,000 in the Salaries and Expenses account to close the Agency by December 31, 1986.

Of the total amount to be transferred in the budget amendment, about $2.3 billion would be used by the Treasury department to repurchase the outstanding Federal Financing Bank portfolio of Small Business Investment Company and Section 503 Development Company debentures and loans for sale to the public. Last year a similar amount for this purpose was originally proposed in the Treasury Department budget.

If it becomes clear that the Congress will not agree to the proposed termination of SBA and the President withdraws the requested amounts associated with the dismantling of SBA programs

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and the sale of the loan portfolio, a total of about $213,000,000 in additional funds would be required to maintain SBA programs in fiscal year 1987 at the current rate for fiscal year 1986.

U.S. POSTAL SERVICE

The appropriation is to reimburse the Postal Service for losses in revenue for carrying certain categories of mail at free or reduced rates. The method of calculating the amount of this appropriation is set forth in the authorizing legislation. The Administration proposes to eliminate the revenue foregone appropriation in FY 1987. The impact of this reduction on preferred rate mailers would be significant because rates would almost double for the non-profit mailers. The Committee recommends adding $830 million to maintain those rates at the current level for all of FY 1987.

LEGISLATIVE BRANCH PROGRAMS

This function deals with commercial and housing credit activities of the federal government. The Copyright Office and Copyright Royalty Tribunal are the two items in the bill that fall within this function. There are no known needs beyond the $11,228,000 requested in the budget for budget authority and the $11,111,000 in estimated outlays.

HOUSING FOR THE ELDERLY OR HANDICAPPED

The Department of Housing and Urban Development is not requesting funding for additional housing for the elderly or handicapped units in fiscal year 1987. The "current services" rate for the elderly housing program in fiscal year 1987 is $532,000,000. The current rate for the elderly housing program is $503,517,000. The Committee is recommending that funding for the elderly or handicapped program be provided at approximately the "current services" level of $532,000,000 in fiscal year 1987.

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TRANSPORTATION

(Function 400)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

(In millions of dollars)

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	4,730	0	4,951	4,951	
Not requiring authorization	3,027	17,577	3,747	21,324	
Subtotal	7,757	17,577	8,697	26,275	26,077
Supplementals (including outlays from 1986 supplemental)	0	6	0	6	6
Proposed legislation and rescissions	−73	−113	−22	−135	−144
Subtotal, appropriation requests	7,735	17,470	8,675	26,145	25,939
Proposed legislation, not through the appropriation process	−238	0	−238	−238	
Permanents, trust funds and revolving funds	15,597	14	110	124	
Offsetting receipts	−529	0	−529	−529	
President's budget requests	22,565	17,484	8,019	25,503	

Note: May not add due to rounding.

Functional Description

This function includes all programs with the primary aim of providing for the transportation of the general public and/or their property, regardless of whether local or national and regardless of the particular mode of transportation. It includes the construction of facilities; purchase of equipment; research, testing, and evaluation; provision of communications directly related to transportation (for example, air traffic control by the FAA); and operating subsidies for transportation. This function also includes regulatory activities directed specifically toward the transportation industry rather than toward general commerce. In addition to the Department of Transportation, these programs are carried out by the U.S. Railway Association, Interstate Commerce Commission, National Transportation Safety Board, Panama Canal Commission, and NASA.

Excluded from this function are the provision of foreign economic assistance that may take the course of assisting transportation facilities or programs abroad; the construction of roads, trails, etc. as an integral part of the operation of public lands, parks, forests, or military reservations, unless they are specifically funded as a part of a broader transportation program; the construction of roads or other transportation facilities as an integral part of a broad community facility or regional development program where the clear intent of the program is regional development and the provision of transportation facilities is only an incidental by-product or means to attain the objective of regional development.

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COMMITTEE VIEWS

AVIATION PROGRAMS

The budget request for the Federal Aviation Administration (FAA) consists of direct appropriations of $3.8 billion and a limitation on obligations for grants-in-aid for airports of $712.5 million. The total direct appropriation request is essentially the same as the fiscal year 1986 level. The request for facilities and equipment is $825 million, which is $125.3 million less than fiscal year 1986. The research, engineering and development request is $134.5 million, a reduction of $47.3 million from the fiscal year 1986 level. Most of the funding in these two appropriations is related to FAA's multi-year plan to upgrade and modify the air traffic control system. The Congress, of course, will want to continue to examine this plan to determine the rate at which it should be implemented.

The FAA budget includes $2.8 billion to operate and maintain the nation's air traffic control and navigation systems. This is an increase of about $160 million over fiscal year 1986 and will provide for the addition of 500 air traffic controllers and 138 general aviation and air carrier inspectors. At the Committee's request, the General Accounting Office (GAO) is reviewing FAA's personnel requirements in these two areas. The Committee intends to use the information developed by the GAO in determining the adequacy of the increases being requested.

The budget also assumes termination of the payments to air carrier program. A similar proposal was not accepted by the Congress last year. Under existing law this program would not be terminated until October 1988.

HIGHWAY PROGRAMS

Most of the highway programs are financed with contract authority provided in authorizing legislation. As in past years, the budget proposes that a limitation on obligations be included in the appropriation legislation for these programs. The limitation requested for fiscal year 1987 is $12.42 billion, which is a slight increase over the current fiscal year. The fiscal year 1987 request is based on proposed surface transportation reauthorizing legislation, which includes a number of significant changes to the federal-aid highways program. The extent to which Congress will accept these proposed program modifications is unclear at this time.

RAIL PROGRAMS

The total appropriation requested for the Federal Railroad Administration is $625 million below fiscal year 1986. This reduction includes the elimination of all federal grants to the National Railroad Passenger Corporation (Amtrak). Termination of these grants would require the initiation of bankruptcy proceedings by the Corporation. A similar proposal to terminate funding for Amtrak was not accepted by the Congress in fiscal year 1986 and the Committee believes that there continues to be considerable Congressional support for the operation of a nationwide Amtrak system.

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The budget also proposes to terminate funding for the Northeast Corridor improvement program, local rail service assistance, redeemable preference shares, and grants-in-aid for railroad safety. Similar funding proposals for these programs were not accepted by the Congress last year.

MASS TRANSPORTATION PROGRAMS

The following table summarizes the mass transit program for fiscal years 1986 and 1987:

	Fiscal year 1986	Fiscal year 1987
Formula grants	$2,058,000,000	
Transportation block grants-transit		[1] $1,220,000,000
Discretionary grants	[1] 1,001,000,000	
Interstate transfer grants	[2] 210,000,000	([3])
Washington Metro	217,000,000	
Administration and research	45,000,000	[4] (46,000,000)
Total	$3,531,000,000	$1,220,000,000

[1] Limitation on obligations.
[2] Includes $18.75 million derived by transfer.
[3] Proposed to be included under Federal Aid Highways, limitation on obligations.
[4] Included under Transportation block grants-transit.

As the table indicates, the President proposes to reduce mass transit funding by about 65 percent from the fiscal year 1986 level. The existing discretionary grant program would be terminated. Revenue from the one-cent gas tax would be used to support a $1.22 billion block grant.

Interstate transfer grants-transit would be merged with Interstate transfer grants-highways at a combined level of $500 million, which is approximately $400 million below the fiscal year 1986 combined level.

No separate appropriation is requested to continue construction of the Washington Metro System and funding for administrative expenses, transit research, planning grants, and elderly and handicapped grants would be derived from the block grant account.

These proposed changes represent a major reduction and redirection of the transit program. In view of past Congressional support for increasing mass transit funding, the Committee believes it is unlikely that Congress will fully accept the proposed budget request.

COAST GUARD

The proposed fiscal year 1987 budget request for the Coast Guard is $2.4 billion, which is a slight increase over the fiscal year 1986 level. This amount includes funds for all fiscal year 1987 defense readiness costs of the Coast Guard. Most of these costs were funded by the Department of Defense in fiscal year 1986.

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MARITIME ADMINISTRATION

The proposed fiscal year 1987 budget request for the Maritime Administration includes a request for language prohibiting the Secretary of Transportation from issuing obligations to finance the costs pursuant to P.L. 99-198, the Food Security Act of 1985. Section 1142 of that Act requires the Maritime Administration to finance ocean freight differential costs of increased carriage in U.S.-flagships of concessional agricultural commodities exported pursuant to Section 901, Merchant Marine Act, 1936. The law (a) mandates an increase from 50 percent to 75 percent over a three-year period in the gross tonnage of specified concessional agricultural cargoes that must be carried on U.S.-flag vessels, and (b) establishes a minimum level of agricultural commodities to be exported.

The fiscal year 1986 estimated outlays for these costs is $48,000,000, while the fiscal year 1987 estimate is $120,000,000. The Administration has proposed authorizing legislation to repeal the requirement for this provision. The Committee wishes to call attention to the potential for an increase in outlays of these magnitudes as a result of this Act, which was passed last December. The Committee wishes to further note that the outlays will occur as a result of the mandatory nature of the Act and that there is no way to control the level of expenditures without changing the authorization.

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COMMUNITY AND REGIONAL DEVELOPMENT

(Function 450)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 [illegible] outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	2,271	0	122	122	
Not requiring authorization	2,019	4,553	1,054	5,608	
Subtotal	4,290	4,553	1,117	5,730	5,689
Supplementals (including outlays from 1986 supplemental)	−77	86	−77	10	−26
Proposed legislation and rescissions	41	275	5	281	187
Subtotal, appropriation requests	4,254	4,914	1,106	6,020	5,849
Proposed legislation, not through the appropriation process	−524	182	−524	−342	
Permanents, trust funds and revolving funds	759	559	1,003	1,562	
Offsetting receipts	−715	0	−715	−715	
President's budget requests	3,775	5,655	870	6,525	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function consists of broad-based community and regional development programs and programs concerned with urban and rural renewal for the preservation and revitalization of communities and regions. It includes water supply and sewer systems (except those specifically funded as environmental protection programs), urban renewal programs, regional economic development programs, broad-based public facility construction programs, and rehabilitation of public facilities in the event of natural disasters. Agencies which administer these programs include the Farmers Home Administration, the Economic Development Administration, the Bureau of Indian Affairs, the Appalachian Regional Commission, the Small Business Administration, and the Department of Housing and Urban Development.

COMMITTEE VIEWS

REGIONAL COMMUNITY DEVELOPMENT

The budget proposes terminations of programs related to several critical areas of rural development. A total of $118,250,000 was provided for rural community development grants in fiscal year 1986, which includes funds for water and waste disposal systems and assistance for rural fire protection.

Loans for rural development programs are also proposed to be terminated. A total of $540 million was provided for 1986.

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Failure to adequately fund these programs would result in continued inequitable treatment for Rural America in the fields of employment and general community development.

Contingencies identified for this function are additional funds for rural grant programs, such as water and sewer, and additional loan servicing and counseling personnel for the Farmers Home Administration. Also, contingencies are identified in the loan programs, including water and sewer loans, business and industry loans, and community facility loans. Should the Congress restore the loan programs to last year's level, outlays from the Federal Financing Bank will increase accordingly. Restoration of the rural grant program will require $118,250,000 in budget authority and a corresponding amount for outlays. Restoration of the loan programs will require an additional loan authority of $540,000,000.

SMALL BUSINESS ADMINISTRATION

DISASTER LOAN FUND

The budget proposes the elimination of the Small Business Administration during the first quarter of fiscal year 1987. No new budget authority is requested for SBA's Disaster Loan Fund and all disaster lending activities would be terminated at the end of fiscal year 1986.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION AND INTERNATIONAL TRADE ADMINISTRATION

As in the fiscal year 1985 and 1986 budgets, the fiscal year 1987 budget assumes termination of the economic development assistance programs of the Economic Development Administration and elimination of the Trade Adjustment Assistance program within the International Trade Administration. The Congress has repeatedly restored EDA's economic assistance programs in the face of proposed termination. The resolution of the reauthorization problem for the Trade Adjustment Assistance program will bear heavily on the Committee's recommendations concerning this program for fiscal year 1987.

BUREAU OF INDIAN AFFAIRS

The request for operation of Indian programs in this function is $509,323,000, an increase of $5,781,000 over the 1986 appropriation and an increase of $27,434,000 over the 1986 level adjusted for sequestration. There is a decrease of $12,400,000 for programs in Alaska, partially offset by an increase of $2,500,000 for Alaska native allotment surveys. Indian rights protection decreases by $1,370,000, for litigation support and attorneys' fees. Increases include $3,833,000 for general assistance payments, which is partially offset by a decrease of $2,710,000 to Indian Child Welfare Act grants; $5,600,000 for indirect costs of new tribal contracts; and $1,350,000 to initiate a consolidated training program. For the first time, the budget will show those programs determined by tribal priority setting separately from the BIA central and area office

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program budgets. The total amount included in the tribal priority portion of the budget is $295,088,000.

The request for construction is $59,155,000, a decrease of $41,293,000 from 1986, and a decrease of $36,736,000 from 1986 adjusted for sequestration. The request for new construction is $28,960,000, all for facilities improvement and repair. The 1986 amount for this program was $33,844,000. The request for irrigation systems is $13,900,000, a decrease of $3,538,000. There is no request for land acquisition, for which $2,283,000 was provided in 1986. The request for housing is $16,295,000, compared to $42,564,000 in 1986, which included $22,000,000 for Navajo-Hopi relocation housing.

No funds are requested for road construction, but the budget assumes project funds in the amount of $75,000,000 are included in contract authority allocations from the Highway Trust Fund. The request for the Indian Loan Guaranty and Insurance Fund is $2,485,000, an increase of $288,000. The expected level of new loan guarantees is $30,000,000. No funds are requested for the Alaska Native Escrow fund, for which $7,830,000 was appropriated in 1986. This was a one-time expense.

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION

The request of $6,211,000 for FY 1987 represents an increase of $905,000 over the FY 1986 level adjusted for sequestration and $666,000 over the FY 1986 appropriation. The Corporation has requested no funding for land acquisition.

COMMUNITY AND REGIONAL DEVELOPMENT

Appalachian Regional Commission (ARC).—The Administration has again proposed to abolish the ARC and has requested no funding for it in the FY 1987 budget. This is consistent with Administration recommended reductions in other economic development programs. This year no funds are proposed for ARC highways under the Federal Highway Administration, as was the case in past years. This action would come at a time when the Commission has completion of its job in sight. The authorization for the ARC expired in 1982 and the current Administration has indicated it would veto legislation to reauthorize the ARC. Restoration to the FY 1986 funding level would require a $177 million increase.

Tennessee Valley Authority.—The budget request for the Tennessee Valley Authority decreases from $113 million in FY 1986 to $58 million in FY 1987. The request eliminates all TVA economic development appropriated programs consistent with Administration policy in this area and increases funds for the fertilizer research program. Restoration to the FY 1986 funding level would require a $55 million increase in FY 1987. This proposal would have the effect of repealing much of the TVA Act affecting a large territory without providing for other Government agencies to fill the void.

COMMUNITY DEVELOPMENT PROGRAMS

The fiscal year 1987 request for HUD's community development programs is $2,462,000,000. The "current services" level, after ap-

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plication of Gramm-Rudman in fiscal year 1986, is $4,024,000,000. The current rate for HUD community development programs is $3,826,000,000. The Committee is recommending that funding be provided for HUD community development programs at approximately the "current services" level of $4,024,000,000 in 1987.

DISASTER RELIEF

The fiscal year 1987 request for Disaster Relief is $100,000,000. The request assumes an average level of disaster activity and certain administrative and legislative changes in the program. The "current services" level for Disaster Relief activities in fiscal year 1987 is $246,000,000. The current rate for Disaster Relief, after application of the Gramm-Rudman sequestration and the supplemental appropriation request, is $345,700,000. Because of the uncertainty of the level of disaster activity in fiscal year 1987, the Committee is not recommending a fixed amount.

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EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

(Function 500)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	1,481	0	738	738	
Not requiring authorization	21,278	17,483	10,451	27,934	
Subtotal	22,759	17,483	11,189	28,671	28,506
Supplementals (including outlays from 1986 supplemental)	0	37	−3	34	59
Proposed legislation and rescissions	3,064	−1,209	373	−836	−816
Subtotal, appropriation requests	25,822	16,311	11,559	27,869	27,749
Proposed legislation, not through the appropriation process	45	0	45	45	
Permanents, trust funds and revolving funds	1,148	−594	177	−416	
Offsetting receipts	−51	0	−51	−51	
President's budget requests	26,965	15,717	11,730	27,447	

Note: May not add due to rounding

FUNCTIONAL DESCRIPTION

This function includes programs designed to promote the general extension of knowledge and skills and/or to assist individuals to become self-supporting members of society. It includes the elementary, secondary, and vocational education and higher education programs; manpower training programs; and grants to States for social services and rehabilitation services. It includes provisions of education or training services, income support directly related to training or education, child care, and general social services provided to individuals and families. It includes cash payments (scholarships loans or stipends) to persons when such payments are provided to enable a person to participate in education or training programs. It also includes research directly related to the provision of said services.

These programs are administered by the Department of Health and Human Services, the Department of Education, the Department of Labor, and the Bureau of Indian Affairs.

The function excludes education or training undertaken as an integral part of the achievement of another functional end (such as training of military personnel; veterans education, training, and rehabilitation; or training of health research workers in a health program) and also excludes general purpose scientific research.

COMMITTEE VIEWS

DEPARTMENT OF LABOR

The President's budget request for the Function 500 programs in the Department of Labor for fiscal year 1987 is $4.2 billion in dis-

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cretionary spending. This is a decrease of $532 million below the FY 1986 appropriation and $366 million below the amount available in 1986 after sequestration. In addition, trust fund transfers are proposed totalling $43 million, the same as in 1986.

1986 PROPOSALS

The budget proposes 1986 rescissions for DOL totalling $416 million, including $208 million for summer youth employment, $196.5 million for Job Corps and $11.5 million for several small job training programs. Should these rescissions be rejected by the Congress, there will be an outlay impact in 1987.

There is one 1986 discretionary supplemental request of $74 million for dislocated worker assistance under the Job Training Partnership Act (JTPA). This request is being made to carry out the President's statement in his December veto message on the textile import bill that the Administration would provide additional assistance to dislocated workers.

Gramm-Rudman reductions for 1986 total $353 million for DOL, including trust fund transfer reductions of $116.3 million.

1987 BUDGET—DISCRETIONARY

DOL discretionary spending would decline by $.5 billion in 1987 from the original 1986 appropriation level, or nearly 12 percent. The 1987 amount would be $.4 billion below the 1986 level as revised by Gramm-Rudman. The Job Corps appropriation would decline from the original 1986 appropriation of $640 million ($612 million after sequestration) to $351.7 million. Most of the reduction would take place through the 1986 rescission of $196.5 million. The enrollment level would drop to 22,000 from the current level of 40,500. A number of centers would be closed. The summer youth employment program would remain at the same level in 1987 after being reduced by $236.5 million in 1986, primarily through the rescission. Over 570,000 summer jobs for disadvantaged youth would be eliminated. The budget proposes appropriations bill language to override the statutory allocation formula to permit the Department to allocate summer funds to areas with the most severe youth unemployment. Both the Job Corps and the summer youth program are highly regarded by the Congress. The dislocated worker program would be funded at $100 million in 1987, a reduction of $69.7 million from the 1986 level after the supplemental. The program level would thus increase from 286,000 participants in 1985 to 332,000 in 1986 and then decline to 250,000 in 1987. Bill language is also requested for this program to permit the Secretary to distribute these funds at his discretion, thereby targeting the funds to those areas with the most severe displacement problems. The Trade Act retraining program would be terminated in 1987. The Administration believes that this program is unnecessary because it is duplicative of the dislocated workers program. The 1986 appropriation was $26 million ($24.8 million after sequestration).

The JTPA State block grant request is for $1.82 billion, a reduction of $43.2 million from the original 1986 amount but an increase of $36.9 million over the 1986 level as revised by Gramm-Rudman. A four percent average enrollment reduction to 319,000 is expected

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to result from inflationary cost increases. The title V older workers employment program would be funded at $326 million, the same as the original 1986 appropriation, an increase of $13.9 million over the 1986 level as adjusted by Gramm-Rudman. The number of jobs funded would be 63,800.

Two small increases are proposed in the 1987 job training request. Pilots and demonstrations are increased by $20 million, or 50 percent. Research and evaluation goes up by $10 million, or about 67 percent.

In total, the Departmental salaries and expenses accounts are about the same in 1987 as in 1986, about $1.2 billion. Employment levels are projected to decrease by about 500 in 1986 because of Gramm-Rudman. About 20% of this staff reduction would be restored in the 1987 budget. The total staffing level for the Department would be just over 18,000.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's FY 1987 Budget Requests $5,500 million for the Function 500 programs in the Department of Health and Human Services (HHS), a reduction of $620 million from the 1986 appropriation and $375 million below the 1986 level as adjusted by Gramm-Rudman.

The Budget again proposes to eliminate the Work Incentives (WIN) program (−$220 million) and the Community Services Block Grant (−$370 million).

The FY87 Budget for Human Development programs other than WIN is $5,496 million. Most activities including the Title XX Social Services Block Grant are funded at the original 1986 appropriation level. Special training and research activities are reduced by $20 million below 1986. Aging programs, other than training, are funded at the 1986 level of $701.6 million. The budget includes $1,075 million for Headstart which is the same as the FY 1985 appropriation but $12 million less than approved by Congress for 1986. The budget also requests $854.9 million for Family Social Services, an increase of $40.6 million over 1986.

In FY 1986, the Administration is proposing a supplemental of $100 million for foster care and adoption assistance and proposes to rescind $46,000,000 from the Work Incentives Program (WIN) and $182,000,000 from the Community Services Block Grant Program.

DEPARTMENT OF EDUCATION

The 1987 budget request for the Function 500 programs for the Department of Education is $15,080 million which is about the same as the amount requested in the 1985 and the 1986 budgets. Many of the proposals within the 1987 request are similar to the proposals made in previous budgets which were largely rejected by the Congress in the appropriations process. Congress exceeded the President's budget for 1985 by $3.3 billion, and for 1986 by $2.9 billion; however, for both years the President signed the appropriations bills into law.

The 1987 budget request is $3.2 billion below the enacted appropriation bill for 1986. This reduction is relatively the same amount proposed for reduction in the two previous budgets for education.

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The likelihood of restoring the reduction—as was done previously—is clouded by the unknown impact of the Balanced Budget and Emergency Deficit Control Act.

The 1986 enacted appropriation of $18.4 billion would be reduced by $675 million as a result of automatic cuts mandated by the deficit control Act. Further, the budget proposes rescissions of 1986 appropriations totalling $1.1 billion. The budget is therefore proposing a reduction from the 1986 appropriation of $18.4 billion to $15.1 billion in 1987 over a two-year period.

Elementary and secondary programs.—For Chapter 1 aid to disadvantaged children the budget request is $3,688 million the same amount as the 1986 appropriation. The budget proposes to restore the $159 million sequestered in 1986. Grants to local school districts would be increased slightly over the 1986 level; State educational agency grants would be maintained at 1986 funding, except for the State-operated program for migrant children where the budget shows a reduction of $51 million resulting from a legislative proposal to restrict eligibility for assistance.

Impact aid for "category b" children (those who reside *or* whose parents work on Federal property) would be terminated under the budget proposal. The 1986 appropriation Act included $130 million for "category b" payments, of which $5.5 million is sequestered. Congress has reauthorized "category b" through fiscal year 1988; therefore it is likely that funding for this part of impact aid will be continued.

The Chapter 2 block grant program would be continued at the 1986 appropriation level of $529 million, restoring the $23 million sequestered under Gramm-Rudman.

The budget includes a request of $75 million to support a legislative proposal for a new "Teacher Training and Improvement Act." This proposal replaces the existing science and mathematics education program and the leadership in educational administration program which are funded in the 1986 appropriation Act at $52.5 million combined ($50.2 million after sequestration).

State formula grants for education of handicapped children would be funded at $1,166 million, $79 million below the 1986 enacted appropriation and $26 million below the 1986 level as adjusted by sequestration. State grants for rehabilitation of the disabled would be funded at $1.1 billion, a reduction of $90 million below the 1986 enacted appropriation and $45 million below the 1986 adjusted level. The budget is also proposing an aggregate reduction of $75 million below the enacted 1986 appropriation in research, training, and special projects relating to handicapped children and rehabilitation services programs and $59 million below the 1986 adjusted level.

The budget is proposing reductions aggregating $77 million below 1986 appropriations ($70 million below the 1986 level as adjusted by sequestration) for various programs of elementary and secondary education assistance, such as civil rights training, women's equity, Ellender fellowships, immigrant education, Follow Through, and aid to the territories. Congress in the past has not approved cutbacks or terminations proposed for these programs.

Vocational and adult education.—The amount requested for 1987 for vocational education is $408 million, a reduction of $441 million

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below the enacted 1986 appropriation. The proposed reduction is comprised of sequestering $37 million and rescinding $210 million in 1986 appropriations; and proposing a further cut of $194 million in 1987. Congress has generally given strong support to vocational education programs over the years.

For adult education, the budget request is $104 million, an increase of $2 million over the 1986 enacted appropriation and $6 million over the adjusted 1986 level. The increase would be used for research and development projects directed to the problem of adult illiteracy.

Higher Education.—Most of the controversy about the education budget request will occur in the area of higher education student assistance not only with the 1987 request but also with 1986 proposals. For student financial aid—grants and direct loans—the budget request is $3,813 million, a reduction of $1,073 million from the 1986 enacted appropriation and $863 million below the Gramm-Rudman adjusted level. For guaranteed student loans the budget request is $2,330 million which is about $1 billion below the amount required to meet the costs under current law.

The budget for student aid is based on legislation which would make major changes in current programs and policy. Such changes include reduced subsidy of direct loans and guaranteed loans, need analyses for all student borrowers, minimum self-help requirement, restricting independent student status, require high school diploma for all aid recipients, and increased cost sharing. The House has already passed a higher education reauthorization bill (H.R. 3700) which bears no resemblance to the Administration's proposal. It is quite likely that a higher education reauthorization bill will not be completed in time for consideration in the 1987 appropriation bill.

The 1986 appropriation for Pell Grants is not sufficient to meet the estimated cost of the program. The amount appropriated of $3,587 million would be reduced by $154 million due to sequestration, which accounts for part of the shortage. However, the Department estimates that the shortage will total $370 million under current estimates. Apparently, the shortage will be covered by reducing student grants under a statutory formula; no supplemental budget is being considered.

The 1987 budget request for Pell Grants of $3,250 million, includes $250 million to partially cover shortages in funding from prior years (1983 to 1985). There would continue to be prior years' shortfall of $240 million which would be covered by borrowing against the 1988 appropriation. The amount of $3 billion included for 1987 is based on a revised Pell Grant program requiring legislation. To carry out current Pell Grant policy would require about $3.5 billion or $500 million over the budget.

For the various programs of assistance to higher education institutions, the budget is proposing reductions from 1986 appropriations aggregating $201 million of which $20 million is derived from 1986 sequestration and $181 million resulted from proposed rescissions. Programs to be terminated in the budget include international education, cooperative education, academic facilities grants, graduate assistance, and college housing loans. Special programs for the disadvantaged (so-called TRIO programs) would be cut from $175 million to $82 million under the budget request. Most of these

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reductions have been proposed in previous budgets, but have not been approved by Congress.

Other education programs—Library assistance programs would be terminated under the proposed budget. 1986 appropriations for these programs were $127 million. Current funding after sequstration is $122 million. Termination of these programs has been proposed in previous budgets, but Congress had continued to provide funding for library assistance.

Education research and statistics programs would be increased from $60 million in 1986 ($57 million after sequestration) to $70.2 million in 1987.

RELATED AGENCIES

ACTION.—The budget request for the ACTION agency is $149.8 million, a reduction of $1.4 million from the 1986 appropriation but an increase of $5 million over the 1986 level adjusted by sequestration. The VISTA program is reduced by $1,110,000 below the 1986 appropriation in 1987; the older American volunteer programs are maintained at the 1986 appropriation level. The 1986 Gramm-Rudman reductions total $6,496,000.

Corporation for Public Broadcasting.—The budget requests $130 million for public broadcasting for fiscal year 1989. This is a 2-year advance appropriation. The 1988 enacted appropriation is $214 million; a rescission of $44 million is being proposed for 1988. There is presently no authorization to appropriate for 1989. The 1986 and 1987 appropriations were $159.5 million and $200 million, respectively. No rescission is proposed for 1986 or 1987. Furthermore, no Gramm-Rudman reduction was made in 1986 because the entire appropriation has been obligated and disbursed from the Treasury.

Bureau of Indian Affairs.—The request for the education program of the Bureau of Indian Affairs is $251,655,000, a decrease of $17,205,000 from the 1986 appropriation, and a decrease of $5,644,000 from 1986 adjusted for sequestration. There is no request for the Johnson-O'Malley educational assistance program, funded at $23,044,000 in 1986. However, it is proposed to transfer this program to the Department of Education Indian Education program, and to submit legislation at a later date to change the structure of these programs. In return, $11,500,000 of Indian education funds are proposed for transfer to the BIA, for programs for Indian children in BIA schools.

Indian Education.—There is no current FY 1987 request for Indian Education but the Administration is proposing legislation for later transmittal which would provide $75,729,000 to continue the Indian education program at the FY 1986 enacted level. This funding level would be an increase of $11,542,000 over the FY 1986 level adjusted for sequestration and $8,658,000 over the FY 1986 enacted level. The proposed legislation assumes a transfer of the Johnson-O'Malley program from the Bureau of Indian Affairs to Indian Education in conjunction with a transfer of $11,500,000 from Indian Education to BIA as a result of changing the structure of the current Indian Education program.

Smithsonian Institution.—The request for the Smithsonian Institution salaries and expenses account is $190,061,000, an increase of

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$13,066,000 over the 1986 appropriation and $20,677,000 over 1986 adjusted for sequestration.

There is no request for the special foreign currency program, compared to $2,485,000 appropriated in 1986. The request for restoration and renovation is $12,828,000, an increase of $1,819,000 over 1986 and $2,292,000 over 1986 adjusted. Included is funding for a modified version of the Freer basement storage area which was not approved in 1986. The request for Zoo construction is $4,851,000, compared to $5,518,000 appropriated and $5,281,000 adjusted in FY 1986. There is a request of $7,500,000 for construction, which includes $4,000,000 for the last increment of the Quadrangle and $3,500,000 for construction at the Tropical Research Institute in Panama.

National Endowment for the Arts.—The request of $144,900,000 is a reduction of $20,971,000 below the FY 1986 appropriation and $13,638,000 below the FY 1986 appropriation adjusted for sequestration.

National Endowment for the Humanities.—The request of $126,440,000 is a reduction of $12,201,000 below the FY 1986 appropriation and $6,239,000 below the FY 1986 appropriation adjusted for sequestration.

Institute of Museum Services.—The request of $330,000 for the Institute of Museum Services allows only for funds to terminate the Institute of Museum Services. The 1987 proposal is similar to requests for 1982, 1983 and 1986 which were rejected by the Congress. The 1986 appropriation is $21,350,000.

Library of Congress.—All the Library of Congress activities except for the Copyright Office and Congressional Research Service are included in this function. At this time, the FY 1987 request of $199,059,000 in budget authority and the estimated $179,993,000 in outlays seem sufficient.

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HEALTH

(Function 550)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	443	0	116	116	
Not requiring authorization	29,088	4,829	25,005	29,834	
Subtotal	29,531	4,829	25,121	29,950	30,016
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	−688	−196	−672	−868	−868
Subtotal, appropriation requests	28,843	4,633	24,449	29,082	29,148
Proposed legislation, not through the appropriation process	0	−880	0	−880	
Permanents, trust funds and revolving funds	6,511	297	6,508	6,805	
Offsetting receipts	−10	0	−10	−10	
President's budget requests	35,344	4,050	30,946	34,997	

Note: May not add due to rounding.

Functional Description

This function includes those programs that have as their purpose the promotion of the physical and mental health of the Nation's population, including the prevention of illness and accidents. It includes research into the causes and cure of disease; promotion of consumer and occupational health and safety; planning, financing, and provision of medical care; the financing of specialized programs for training of health workers and researchers; and food, drug, and other product safety inspection programs. The major programs included in this function are medicaid, the National Institutes of Health, other health research and education, prevention and control of health problems, and health planning and construction. In addition to the Department of Health and Human Services these programs are administered by the Office of Personnel Management, the Food Safety and Inspection Service of Agriculture, Federal Mine Safety and Health Review Commission, and the Occupational Safety and Health Administration. Excluded from this function are medicare programs.

Committee Views

The President's FY 1987 Budget requests $33,224 million under the jurisdiction of the Labor, HHS and Education Subcommittee. This includes $6.5 billion advanced in FY 1986 for the Medicaid program. This is a net decrease of $528 million below the amount provided in the 1986 appropriation Act and $166 million below the 1986 appropriation as reduced by sequestration.

Public Health Service.—The FY 1987 Budget includes $7,832 million for programs of the Public Health Service under the jurisdic-

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tion of the Labor/HHS and Education Subcommittee. This is $870 million below the level appropriated for FY 1986 for these activities and $512 million below the 1986 amount available after sequestration. This reduction results principally from the decision to eliminate support for health professions (−$224 million) and health planning (−$22 million) and the decision to reduce the level of research at the National Institutes of Health (−$414 million). Similar proposals made in the FY 1986 Budget request were largely rejected by the Congress. Most other PHS activities are funded at the FY 1986 appropriation level. The budget again proposes a new Primary Care Block Grant which would consolidate Federal support for community, migrant and black lung clinics and family planning into a single grant administered through the States. This requires legislation. The 1987 budget also continues the policy of reducing Federal financial support for the National Health Service Corps through reliance on private practice alternatives. The total size of the Corps is anticipated to remain at its FY 1986 level of approximately 3,300.

National Institutes of Health.—The 1987 budget proposes a substantial cutback in appropriations for the National Institutes of Health, well below the actual program level for fiscal year 1935. The total appropriation requested for NIH is $4,936,000,000, compared with the actual program level of $5,505,201,000 which was approved by Congress for 1986. The budget proposes to consolidate all funds related to Acquired Immune Deficiency Syndrome (AIDS) in the Office of the Assistant Secretary for Health. The 1986 level now proposed for NIH reflects sequestering of $230 million and proposed rescissions of $63 million. The 1987 budget will fund a total of 17,889 research grants, including 5,104 competing grants, compared with a total of 18,357 grants, including 6,246 competing, in 1985 and 18,776 grants, including 6,100 competing, approved by Congress for 1986. The 1987 budget allocates a total $447,222,000 for 523 research centers. This compares with $472,611,000 obligated for the support of 533 centers in 1985, and $487,829,000 approved by Congress for the support of 536 centers in 1986. For the training of researchers, the 1987 budget would provide $198,204,000 for support of 9,128 trainees, compared with 10,624 supported in 1985, and 10,372 who would have been supported under the 1986 appropriation. The budget further proposes to reduce staffing at NIH from 13,108 in 1985 to 12,649 in 1986 and 1987. The budget assumes savings in indirect costs of research through modification of OMB Circular A-21.

Acquired Immune Deficiency Syndrome.—The President's budget includes a request for $203,482,000 for activities related to acquired immune deficiency syndrome, AIDS. This is $30,870,000 less than the comparable amount appropriated in FY 1986 and $20,793,000 less than the amount available after sequestration. The budget consolidates AIDS funding in a single account under the Office of the Assistant Secretary for Health rather than in numerous different accounts of the Department. The budget proposes to reduce AIDS funding in 1986 by $51 million of which $10,077,000 is through Gramm-Rudman sequestering and $41,075,000 is through rescission of funds for what the budget refers to as lower priority or inappropriate activities. These figures do not include $10 million provided

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in 1986 on $10 million requested for 1987 for the Food and Drug Administration considered in the Agriculture appropriations bill.

Grants to States for Medicaid.—The Budget requests $24,708 million in FY 1987 for Grants to States for Medicaid, including funds advanced in prior years. This is an increase of $810 million over the 1986 comparable appropriation. Legislative savings of $1,172 million are assumed in the Medicaid request through language which would cap Federal support for both services and administrative costs. In FY 1986, Congress rejected these proposals.

FY 1986 Rescissions.—The President's budget transmits $317 million of rescission requests. The most controversial of these are:

Health professions assistance	-152,000,000
Health planning	-22,000,000
Mental health demonstrations	-20,000,000
Mental health clinical training	-19,000,000
National Institutes of Health	-63,000,000
Acquired immune deficiency syndrome	-41,000,000

FY 1986 Sequestration.—The budget documents confirm the sequestration of $362 million of Function 550 funds appropriated for FY 1986. This includes $230 million in biomedical research at the National Institutes of Health and $10 million for Acquired Immune Deficiency Syndrome.

Indian Health Service.—The request for the Indian health services account is $722,378,000, which includes $2,450,000 for facilities modernization and repair. If this amount is excluded for comparability, the request is $719,928,000, a decrease of $98,266,000 from the 1986 appropriation and $87,837,000 from 1986 adjusted for sequestration. In addition, the Administration is requesting a 1986 rescission totaling $62,904,000, which includes $24,262,000 from this account. If this were enacted into law, the 1986 base would be only $783,503,000, and the 1987 request would still be a reduction of $63,575,000. The request also assumes total collections of $76,700,000, which will be applied to the programs. These estimates of collections have been overstated, usually by at least a third, in the past. Three programs are proposed for elimination, as in previous years: community health representatives ($25,844,000); urban health projects ($9,741,000); and tribal management ($1,988,000). The largest reductions are in hospitals and health clinics (-$23,984,000); contract health care (-$32,040,000); and direct operations (-$4,188,000). To maintain the 1986 program level would require a minimum of an additional $100,000,000 in budget authority. This would not provide for the increased costs of health care.

As noted before, the only request for facilities is the $2,450,000 for modernization and repair projects, included in the services account. The proposed rescission includes $38,642,000 in the facilities account. The 1986 appropriation was $46,665,000. A comparable amount would be required in FY 1987 to continue ongoing construction, including the provision of sanitation facilities for Indian homes under construction or renovation.

FOOD AND DRUG ADMINISTRATION AND FOOD SAFETY AND INSPECTION SERVICE

There continues to be a great deal of congressional interest in the scope of the activities of these agencies. In fiscal year 1986,

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$362.0 million was appropriated for the Food Safety and Inspection Service. Although the budget request for fiscal year 1987 is $365 million, it also includes a legislative proposal to fund FSIS 100 percent by user fees.

For the Food and Drug Administration the budget requests $421,747,000 in budget authority, an increase of $2,126,000. The budget is based on a program level of $449.4 million, a difference of $25.8 million to be made up from user fees for which FDA presently has no authority to collect. If Congress rejects the user fee proposal as it has in the past, FDA funding will have a current services shortfall of the user fee amount.

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MEDICARE

(Function 570)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	20,357	0	22,120	22,120	
Subtotal	20,357	0	22,120	22,120	22,046
Supplementals (including outlays from 1986 supplemental)	0	−2	0	−2	−2
Proposed legislation and rescissions	−1,299	0	−1,299	−1,299	−1,180
Subtotal, appropriation requests	19,058	−2	20,821	20,819	20,864
Proposed legislation, not through the appropriation process	136	−7	−1,644	−1,651	
Permanents, trust funds and revolving funds	90,419	48,533	29,880	78,413	
Offsetting receipts	−27,348	0	−27,348	−27,348	
President's budget requests	82,265	48,524	21,709	70,234	

Note: May not add due to rounding.

Functional Description

This function consists of Hospital Insurance, Supplementary Medical Insurance and premiums and collections.

Committee Views

The President's budget includes $20,537 million under current law, for mandatory subsidies to the Medicare Supplemental Medical Insurance trust fund. The budget also includes a legislative proposal to reduce the cost of this entitlement by $1,299 million. This payment currently supports approximately 75% of the cost of the Medicare part B program. The budget proposes to decrease this subsidy to 65% over the next 5 years through increases in enrollee premiums.

The 1986 budget transmits a major proposal to reduce the cost in the basic Medicare program by more than $7 billion through a combination of regulatory and legislative actions. These reductions include both lower payments to providers and increased cost sharing by beneficiaries. These proposals do not offset appropriations and will be considered by the authorizing committees. No final decision has been made on the FY 1987 adjustment in hospital payment rates for Medicare. Notwithstanding these proposals to

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reduce costs, Medicare expenditures are expected to rise from $68.7 billion in 1986 to $70.2 billion in 1987.

There is no reference in the FY 1987 budget to the President's proposal for a catastrophic health insurance initiative under Medicare announced in the President's State-of-the-Union address.

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INCOME SECURITY

(Function 600)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	2,100	0	1,861	1,861	
Not requiring authorization	36,918	13,176	36,927	50,103	
Subtotal	39,018	13,176	38,788	51,964	51,988
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	−314	−1,758	−314	−2,073	−291
Subtotal, appropriation requests	38,704	11,417	38,474	49,891	51,697
Proposed legislation, not through the appropriation process	2,938	−210	−453	−663	
Permanents, trust funds and revolving funds	122,587	7,424	72,638	80,062	
Offsetting receipts	−10,914	0	−10,914	−10,914	
President's budget requests	153,315	18,631	99,745	118,375	

Note: May not add due to rounding.

Functional Description

This function includes payments to persons for which no current service is rendered by recipients, such as retirement (excluding military retired pay), disability, unemployment, and welfare payments and associated administrative costs. Also included are the food stamp, special milk, and child nutrition programs; both Federal and trust unemployment compensation and workmen's compensation; public assistance cash payments; benefits to the elderly and to coal miners; low- and moderate-income housing assistance; and low-income energy assistance.

This function includes such retirement and disability programs as railroad retirement, special benefits for disabled coal miners, and federal employee retirement disability.

These programs are administered by the Department of Health and Human Services, HUD, Agriculture, Labor, and the Office of Personnel Management.

Excluded from this function are financial assistance for educational purposes, child care services, vocational and manpower training and vocational rehabilitation services and stipends, medical care (whether cash or in kind), subsidies to business (such as farm price supports) even though they may end up as income to persons, and income security programs restricted to veterans and their dependents.

Also excluded from this function are the social security programs which include the old-age and survivors insurance and disability insurance.

Committee Views

DEPARTMENT OF LABOR

All of the Function 600 activities of the Department of Labor are for entitlement activities where payments are mandated by law.

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These include principally the Black Lung program, unemployment and workers' compensation benefits for Federal workers and advances to the unemployment trust fund. The FY 1987 request includes $1,663 million for these programs, a decrease of $84 million below the FY 1986 amount. In addition, trust fund transfers are proposed totalling $2.5 billion, the same as in 1986.

An appropriation of $413 million will be required in 1987 to make advances to the Black Lung Disability Trust Fund. Legislation will be proposed to raise the coal excise tax to provide increased income to $221 million to the Black Lung Disability Trust Fund, thereby reducing the requirement for advances by that amount. The total for black lung benefit payments is expected to decrease slightly in 1987; Federal employees workers compensation payments will remain at about the same amount as 1986.

A $10 million increase is requested for the Unemployment Trust Fund administrative limitation to expand research into alternative uses of unemployment compensation.

The unemployment rate is estimated to be 6.8% in 1986 and 6.6% in 1987. Unemployment benefit payments from the Unemployment Trust fund are estimated at $15.1 billion, an increase of $.3 billion over 1986. The trust fund is expected to have a $2.1 billion excess of income over outgo in 1987.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's FY 1987 budget requests $23,048 million for Function 600 activities administered by the Department of Health and Human Services. The bulk of the funds for income security fall in the entitlement category, and include Supplemental Security Income, Assistance Payments (AFDC), Child Support Enforcement, and Special Benefits for Disabled Coal Miners. The budget authority proposed for these entitlement programs in 1987 is $20,431 million.

The budget request for the Assistance Payments account assumes enactment of legislation which would reduce costs in the AFDC program by $237 million. The most controversial element of this is a renewed proposal for the mandatory work fare program for adult welfare recipients. In addition the budget proposes reductions in Federal assistance for the refugee program totalling $66 million below enacted appropriations and $35 million below the amount available after sequestration. The proposal would eliminate the support of refugee educational and training programs beginning in FY 1987. In addition the budget proposes to consolidate Federal support for refugees from other accounts into the refugee appropriation. The authorization for the refugee and entrant assistance program expired in FY 1984. It is essential that authorization of this program be completed prior to Committee action on the FY 1987 request.

For Low Income Energy Assistance, the Budget requests $2,100 million, the same amount appropriated in FY 1986 and an increase of $90 million over the amount available after sequestration. This program also lacks authorization for FY 1987.

There is no discussion in the budget of the welfare reform initiative announced in the President's State-of-the Union address.

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The budget proposes an FY 1987 staffing level of 73,270 FTE's for the Social Security Administration. This is a reduction of 4,079 FTE's from the level approved by Congress for 1986. This is an issue which the Committee and the Congress as a whole are concerned about and it will have to be reviewed carefully. Social Security administrative costs are reduced by $144 million under Gramm-Rudman but would increase by $163 million in FY 1987 under the President's proposal for a total of $4,011 million.

RAILROAD RETIREMENT—DUEL BENEFIT PAYMENTS

The 1987 budget request of $255,880,000 assumes enactment of proposed legislation that would transfer an additional $96,000,000 to this account from the railroad retirement trust fund. This would be through the imposition of a new payroll tax. However, the Railroad Retirement Board estimates that monthly benefit payments would be reduced by 7.4 percent from the level required to fully fund them. If the proposed legislation is not enacted, this account will be at least $96,000,000 short.

NUTRITION PROGRAMS

For fiscal year 1987 the budget recommends total obligational authority of $17.5 billion for the Income Security category, compared with $18.4 billion appropriated for this category in fiscal year 1986.

The budget request assumes timely passage and implementation of several legislative proposals. The Committee is not in a position to speculate on what changes will be made in the laws authorizing the domestic feeding programs, or what any changes that are enacted may cost or save. The budget must be considered deficient by the full amounts of proposed savings. Legislative proposals account for estimated savings of $775 million in the child nutrition programs, $350.3 million in the food stamp program, and $11.7 million in the special milk program.

The Committee will explore these programs in-depth during the upcoming hearings in the hope that savings can be achieved. The Committee would point out that many of the proposed changes in these programs have been rejected by the Congress in the past. Therefore, contingencies are identified in amounts equal to the proposed legislative changes, transfers, and program reductions identified in the budget.

In addition, the feeding program for women, infants and children (WIC) will likely require additional funds to meet the participant caseload, as well as to cover increases in food prices.

Therefore, the budget may be understated by $1.2 billion in budget authority and a corresponding amount in outlays for these essential nutrition programs.

HOUSING PROGRAMS

The Department of Housing and Urban Development is not requesting any funds for the assisted housing programs in fiscal year 1987. It is planned to utilize approximately $2,300,000,000 deferred from fiscal year 1986 for the fiscal year 1987 program. The "current services" rate for assisted housing in fiscal year 1987 is

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$10,522,000,000. The current rate for assisted housing, after the application of Gramm-Rudman sequestration, is $9,537,086,647. The Committee is recommending that funding for assisted housing in fiscal year 1987 be provided at a level between the current rate and the current services.

The fiscal year 1987 request for operating subsidies is $1,171,543,000. The "current services" rate for operating subsidies in fiscal year 1987 is $1,204,000,000. The current rate for operating subsidies, after the application of Gramm-Rudman sequestration, is $1,158,544,000. The Committee is recommending the "current services" rate of $1,204,000,000 for operating subsidies in fiscal year 1987.

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SOCIAL SECURITY

(Function 650)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	501	0	2,954	2,954	
Subtotal	501	0	2,954	2,954	2,928
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	0	0	0	0	0
Subtotal, appropriation requests	501	0	2,954	2,954	2,928
Proposed legislation, not through the appropriation process	317	0	0	0	
Permanents, trust funds and revolving funds	234,076	42,238	174,043	216,281	
Offsetting receipts	−7,023	0	−7,023	−7,023	
President's budget requests	227,871	42,238	169,974	212,213	

Note: May not add due to rounding.

Functional Description

Appropriations in this function consist of interfund payment from general funds into the Social Security Trust Funds to compensate the funds for costs incurred not financed by payroll deductions. These relate primarily to military service credits for current members of the armed forces. This function also includes trust fund receipts and outlays as permanent budget authority.

Committee Views

The President's FY 1987 Budget requests $501 million for the Payments to Social Security Trust Funds. The Budget anticipates a full 3.7% cost of living increase for Social Security retirees payable on January 1, 1987. For bookkeeping purposes only the finances of the Social Security Trust Funds are shown outside of the Federal Budget.

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VETERANS BENEFITS AND SERVICES

(Function 700)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	43	0	0	0	
Not requiring authorization	25,663	3,403	22,576	25,980	
Subtotal	25,706	3,403	22,577	25,980	25,968
Supplementals (including outlays from 1986 supplemental)	0	27	0	27	19
Proposed legislation and rescissions	278	0	247	247	259
Subtotal, appropriation requests	25,983	3,430	22,824	26,254	26,227
Proposed legislation, not through the appropriation process	−342	−132	−197	−329	
Permanents, trust funds and revolving funds	1,983	1,263	154	1,417	
Offsetting receipts	−922	0	−922	−922	
President's budget requests	26,702	4,561	21,859	26,420	

Note: May not add due to rounding.

Functional Description

This function consists of programs providing benefits and services, the eligibility for which is related to military service but which are not an integral part of national defense. It includes veterans service-connected compensation; non-service-connected pensions; readjustment benefits; housing; and medical care programs.

Committee Views

The Budget requests $38.5 million for the Soldiers' and Airmen's Home, which is a $10 million decrease from the amount available in FY 1986.

VETERANS ADMINISTRATION

The Veterans Administration is requesting appropriations totalling $25,945,061,000 in fiscal year 1987. The "current services" level for VA in fiscal year 1987 is $26,509,096,000. The current rate for VA if $26,230,374,000. The Committee is recommending the "current services" level of $26,509,096,000.

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ADMINISTRATION OF JUSTICE

(Function 750)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	4,095	0	3,188	3,188	
Not requiring authonzation	2,902	1,223	2,547	3,770	
Subtotal	6,997	1,223	5,735	6,958	7,073
Supplementals (including outlays from 1986 supplemental)	0	3	0	3	3
Proposed legislation and rescissions	10	−67	4	−63	−64
Subtotal, appropriation requests	7,007	1,159	5,739	6,899	7,012
Proposed legislation, not through the appropriation process	0	0	0	0	
Permanents, trust funds and revolving funds	112	47	3	50	
President's budget requests	7,119	1,207	5,742	6,948	

Note: May not add due to rounding.

Functional Description

This function includes those programs designed to provide judicial services, police protection, law enforcement (including civil rights), rehabilitation and incarceration of criminals, and promotion of the general maintenance of domestic order. The major programs and agencies administering this function include the Justice Department, the Federal Judiciary, Commission on Civil Rights, Legal Services Corporation and the Department of Treasury.

Committee Views

DEPARTMENT OF JUSTICE

The fiscal year 1987 budget request for the Department of Justice reflects an increase of $518,451,000 above the level anticipated for fiscal year 1986 after sequestration and including proposed rescissions and a program supplemental. This amount reflects substantial program increases for the FBI for the Foreign Counterintelligence Program, general support staffing, ADP equipment, a voice privacy radio initiative and technical research and development; for the Federal Prison System for new construction and expansion and modernization of existing institutions; for DEA for strengthening domestic enforcement programs, ADP equipment, intelligence and other support services; for INS for enhancement of information systems; for the litigating divisions and the U.S. Attorneys for strengthening litigation resources and automated support;

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and for the U.S. Marshals for enhancement of Organized Crime Drug Enforcement Task Force activity, the debt collection initiative and other support costs. In addition, the budget request reflects increases in Justice Department accounts for built-in cost increases as well as reductions for management and productivity savings. The increases are also offset in part by the elimination of the Juvenile Justice and Delinquency Prevention Program (−$64,693,000), State and Local Assistance Grants to States (−$48,520,000), the Mariel Cuban Program (−$4,735,000) and the Regional Information Sharing Systems grants (−$9,474,000). The President's budget proposes that these programs be eliminated initially through fiscal year 1986 rescissions. All of these proposals will bear close examination in light of the fact that the Congress restored funding for these programs when similar proposals for termination or reduction were made in each of the last five years.

LEGAL SERVICES CORPORATION

By law, the Legal Services Corporation submits its budget directly to the Congress. The Corporation has requested $305,500,000 for fiscal year 1987, the same amount that was appropriated for fiscal year 1986. The fiscal year 1987 budget request reflects restoration of the $13,137,000 Gramm-Rudman reduction. While the Corporation's budget document is notably lacking in details, it would appear that reductions from the appropriated levels will be proposed for basic field programs and support programs in order to provide increases for program development, the supplemental service program, and Corporation management. For the sixth consecutive year the President's budget includes no estimate for the Corporation and assumes termination of the program. The Committee will review this matter closely in light of the fact that Congress has restored funding for the Legal Services Corporation in each of the five previous fiscal years.

THE JUDICIARY

The fiscal year 1987 budget request for the Judiciary reflects an increase of $190,480,000 above the level anticipated for fiscal year 1986 after sequestration and including proposed supplementals. This amount reflects substantial program increases primarily for 1,403 additional supporting personnel for U.S. District and appellate courts (e.g., deputy clerks and probation personnel) to handle increased caseloads and for expansion of ADP systems. In addition, the requested increase reflects built-in cost increases including GSA rental charges, salary adjustments and other support costs for all of the Federal courts.

U.S. CUSTOMS SERVICE

The budget request for the U.S. Customs Service proposes a reduction of over 1500 positions for 1987. This proposed reduction could have a significant adverse effect on the government's ability to interdict the flow of illegal drugs and other contraband into the country, as well as on its ability to prevent the illegal exportation of high technology items to unfriendly countries. The committee

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recommends adding $100 million to restore the proposed reduction. The other bureaus in Treasury appear to be funded at minimal but adequate levels for FY 1987.

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GENERAL GOVERNMENT

(Function 800)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

[In millions of dollars]

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	63	0	59	59	
Not requiring authorization	11,739	705	10,910	11,614	
Subtotal	11,802	705	10,969	11,674	11,670
Supplementals (including outlays from 1986 supplemental)	0	31	0	31	83
Proposed legislation and rescissions	−1	0	−4	−4	1
Subtotal, appropriation requests	11,801	736	10,966	11,702	11,755
Proposed legislation, not through the appropriation process	−503	0	−503	−503	
Permanents, trust funds and revolving funds	12,463	−185	12,620	12,436	
Offseting receipts	−17,574	0	−17,574	−17,574	
President's budget requests	6,186	551	5,509	6,060	

Note: May not add due to rounding.

Functional Description

This function includes the general overhead costs of the Federal Government including legislative and executive activities; provision of central fiscal personnel and property activities; and the provision of services that cannot reasonably be classified in any other major function. As a normal rule, all activities reasonably or closely associated with other functions are included in that function rather than listed as a part of general government.

Included in this function are the Legislative Branch, the White House and Executive Office of the President, the Internal Revenue Service and other fiscal management activities of the Treasury Department; the general property, supply operation, and records management activities of the General Services Administration; federal personnel management activities of the Office of Personnel Management; territories and possessions; and claims and judgments.

Committee Views

Territorial and International Affairs.—The request for the Administration of Territories is $71,529,000, a decrease of $8,365,000 from 1986 enacted and $4,930,000 from 1986 adjusted for sequestration. The request for covenant grants to the Northern Marianas is increased by $8,810,000, under the new multi-year agreement. This is partially offset by elimination of other construction grants, funded at $3,187,000 in 1986.

Trust Territory of the Pacific Islands.—The request for the Trust Territory is $13,050,000, a decrease of $66,840,000 from the 1986 ap-

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propriation and $63,405,000 from 1986 adjusted for sequestration. All line items are reduced with the exception of the grant to Palau, which is $10,600,000, an increase of $63,000 over 1986. Grants to the FSM and the Marshall Islands are eliminated, because of the Compact funding. There are no requests for construction, although the three capitols remain to be completed. There is also no funding requested to continue the Bikini resettlement effort, funded at $1,739,000 in 1986.

Compact of Free Association.—The request for the Compact of Free Association is $27,920,000. Initial funding of $178,750,000 is requested in a supplemental appropriation in FY 1986, which includes a one-time payment of $150,000,000. The total amount to be provided in FY 1987, including permanent authority, is $144,270,000.

Navajo and Hopi Indian Relocation Commission.—The FY 1987 estimate is $22,335,000, an increase of $940,000 over the FY 1986 level adjusted for sequestration, yet a decrease of $21,000 under the FY 1986 appropriation. The FY 1987 estimate provides for a continuation of the FY 1986 program level. The President's Budget does not request additional money for construction or development of homes on the new lands, a necessary step in completing relocation.

Legislative Branch.—The general housekeeping programs of the Federal Government, including legislative and legislative-support activities, are included in this function. Included are the budgets for the House and Senate, other joint items, the Congressional Research Service, Office of Technology Assessment, Congressional Budget Office, the Biomedical Ethics Board, the General Accounting Office, Government Printing Office, and the Architect of the Capitol. The appropriation request for fiscal year 1987 budget authority is $1,639,383,000; outlays are estimated at $1,659,822,000. A budget request for the Bio-Medical Ethics Board has not yet been received.

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GENERAL PURPOSE FISCAL ASSISTANCE

(Function 850)

RECAPITULATION OF THE PRESIDENT'S 1987 BUDGET

(In millions of dollars)

	Budget authority	Fiscal year 1987 outlays			CBO reestimates of FY 1987 total outlays
		From prior year balances	From new current	Total	
Appropriation request:					
Requiring authorization	0	0	0	0	
Not requiring authorization	677	0	677	677	
Subtotal	677	0	677	677	67[illegible]
Supplementals (including outlays from 1986 supplemental)	0	0	0	0	0
Proposed legislation and rescissions	0	−760	0	−760	−760
Subtotal, appropriation requests	677	−760	677	−83	−82
Proposed legislation, not through the appropriation process	−225	0	−225	−225	
Permanents, trust funds and revolving funds	1,328	811	1,274	2,08[illegible]	
Offsetting receipts	−38	0	−38	−38	
President's budget requests	1,742	51	1,688	1,739	

Note: May not add due to rounding.

FUNCTIONAL DESCRIPTION

This function includes Federal aid to State, local, and territorial governments that is available for general fiscal support or for distribution among programs involving two or more major budgetary functions when the distribution among those functions is at the discretion of the recipient jurisdiction. It includes payments in lieu of taxes, broad-purposes shared revenues, General Revenue Sharing, the Federal payment to the District of Columbia, and payments to States of receipts from the Forest Service and land management activities of the Department of the Interior. In addition, the Department of Treasury returns to Puerto Rico and the territories certain Federal taxes and other revenues collected there.

COMMITTEE VIEWS

DISTRICT OF COLUMBIA

The President's fiscal year 1987 budget includes a total of $560,380,000 in budget authority and outlays from Federal funds for the District of Columbia government. This request reflects an increase of $30,353,000 above the amounts available in FY 1986 after sequestration.

The President's request includes a Federal payment of $444,500,000 which reflects an increase of $19,500,000 above the fiscal year 1986 appropriation and will require legislation to raise the ceiling from the present $425 million level set in Public Law 98-316.

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It should be noted that these Federal funds represent only a portion of the District's total fiscal year 1987 budget which is not scheduled to reach Congress until April 15 in accordance with section 113 of the District's fiscal year 1986 appropriations act (H.R. 3067) enacted into law by reference in Public Law 99-190. The District government is required by statute to have a balanced budget with revenues sufficient to cover anticipated expenditures. A careful review and analysis of the District's total budget will be required before any changes can be recommended by the Committee in the level of Federal funds for the District government.

With the limited information available at this time concerning the District's budget proposals, the Committee suggests that the levels requested in the President's fiscal year 1987 budget be assumed as appropriate levels for Federal funds to the District of Columbia government.

INTERIOR PROGRAMS

Payments-In-Lieu-of-Taxes.—The Administration is requesting $105,000,000, the full amount under current law, an increase of $5,118,000 over the fiscal year 1986 level adjusted for sequestration.

Payments to States from Receipts Under Mineral Leasing Act.—As in past years the Administration is proposing sharing net rather than gross mineral leasing receipts with the States. This has been agreed to by the House the past four years but has been rejected by the Senate and the Conferees.

The Administration is proposing a supplemental request of $800,000 for late interest due to States and Indian allottees.

GENERAL REVENUE SHARING

The Administration is not requesting any funds for the General Revenue Sharing program in fiscal year 1987. The fiscal year 1986 appropriation for General Revenue Sharing payments is $4,185,000,000 before the proposed sequestration of $179,955,000. The 1986 Congressional Budget Resolution called for the termination of this program after fiscal year 1986 and the conference agreement on the Consolidated Omnibus Reconciliation Act included language repealing the Revenue Sharing Act. In addition, the program must be reauthorized in fiscal year 1987. Therefore, the Committee will consider future funding after enactment of such legislation.

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